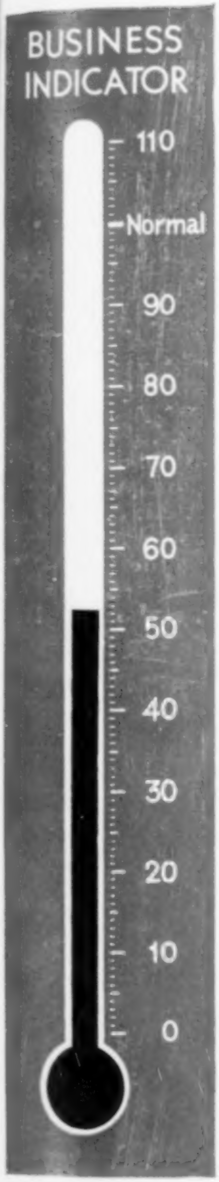
NOV 23, 1932

THE BUSINESS WEEK



The post-election picture of business and security market activity continues static, showing at the worst somewhat more than a seasonal decline. Prospects or sources of pronounced improvement before spring, apart from the stimulus of holiday trade, are not yet apparent. . . . Steel production is being supported at the depression level principally by new-model automobile demand, requirements of railroads and other principal consumers having proved disappointing. Electric power and coal output are holding up pretty well, but carloadings, construction contracts and check payments are receding rather sharply for the season. . . . No decisive signs of bank credit expansion have yet appeared, and the purely professional security markets, pre-occupied by poor corporation earnings reports, have responded apathetically to the election outcome, despite the persistence of sentimentally important dividend payments out of surplus. Resistance of commodity prices to further decline at the depression lows recently repeated is encouraging but not conclusive. . . . It is obvious that business has become less able to recover under its own motive power partly because of the unprecedentedly drastic and swift deflation of consumer income and partly because of the prolonged delay in deciding between a policy of active inflation and one of all-round write-down of debt burdens to cope with the collapse of price levels. . . . The issue still hangs in the balance, but the sudden injection of the inescapable war-debt problem probably indicates that it is too late for the fifth horseman to swap steeds at this stage, and that we have surrendered ourselves at last to the difficult and painful process of debt readjustment in every field.

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ar Debts and Business

ree years of depression have altered the war debt oblem. Europe is asking for postponement of payents, "further study." It is time for business to weigh e probable effects of a new régime.

ASHINGTON—including both the pres- and the forthcoming administra- s—is confronted with the first major e since the election: war debts. ident Hoover's one-year emergency atorium ended last July 1. No debt ments came due, however, until Nov. Greece sent word on that date that government at Athens had been un- to collect the $444,920 due the ited States, and therefore found it essary to default.

The real issue is ahead, for it is not il Dec. 15 that relatively important alments come due from the major tors. The British then owe a pay- t of $95 millions; France, $16 llions. And there are numerous ers which bring the total owed to United States to about $124 millions.

Small Change, At That

In the field of international financing, is an insignificant amount. It uld be welcomed by the country's asury in a year when everyone is find- it necessary to pinch pennies. But lack will not "break" the government. The issue, rather, is the question of ing the debt question once more, s time with a background of profound prolonged depression.

London and Paris (as has been ex- ted for several months) have sent es to Washington. They are not ntical, but their intent is. They ask 2 things: (1) "review" and "further dy" of the régime of intergovern- ntal financial obligations; and (2) pension of the payments due during period of this further study. They e not defaulted. They have not re- ed to pay. So far they have asked ly for permission to postpone payment il the question of debts has been iewed in international conference.

There is no official indication yet t the reply from Washington will President Hoover and Governor osevelt soon will confer at the White use. Congress, however, does not et until so near the due date on the payments that some word is likely to go to Europe excusing payments without permitting actual default.

What Congress or the new administration will do eventually with the international debt problem is a matter of speculation. There are not a few sound critics who anticipate that the issue will merely be allowed to drift for years.

The report of the Alfred P. Sloan committee, prepared for it by a group of economists, is being studied by thoughtful executives. It disposes of a lot of the questions which always are brought up when war debts are a part of round-the-table discussion.

After pointing out that these debts, in their finally funded form, total $11½ billions, to which an almost equal amount of interest must be added under the present funding agreements, the experts on this committee get quickly to the point—that "the financial paralysis of the last 3 years has radically changed the capacity of the nations to pay," and that the debt structure therefore needs to be studied anew.

Five factors are mainly responsible for the changed situation: the universal decline in prices, the reduction of foreign trade, the problem in 30 or more countries of transferring cash payments from one country to another, the ending of German reparations on which many debtor nations depended for a large part of their war debt payments to the United States, and finally the extreme difficulties of the debtor governments in raising money from their citizens in the present depression.

In the opinion of this group of economists, 2 courses of action are open to the United States: either a demand for payment of the debts as they now stand, or a reconsideration of their terms. Complete cancellation, in their opinion,

Acme

"SO WE'LL SEND A NOTE"—Edouard Herriot, premier of France, and Ramsay MacDonald, British premier, talking over various things, including, no doubt, what to do about war debts owed to the United States.

is neither an economic necessity nor a practical political possibility. The demand for full payment would inevitably lead to default, for this country has no means of forcing payment. The committee, therefore, recommends reconsideration of the debts, and extension of the moratorium in the interval.

There are several significant probabilities which it might be wise for the business world to begin to consider.

In the first place, the depression has altered the entire war debt picture, just as it has altered our views on farm mortgages and commercial debts. A new approach must be found to an entirely new problem.

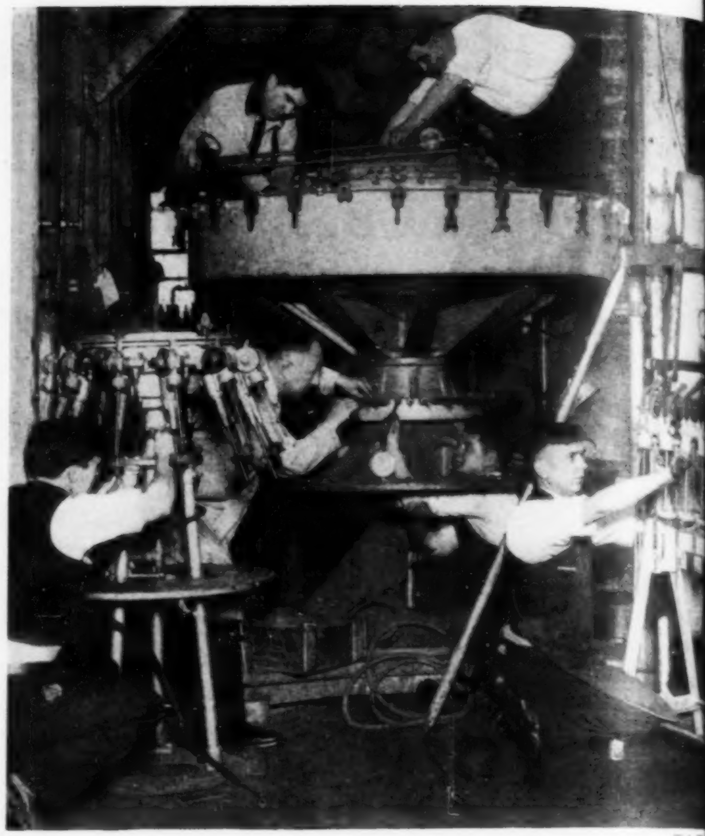
Next, the debts have been given greater prominence in the economic picture than they deserve. Less than $125 millions are due in December, only about $280 millions in the next fiscal year. Our national budget last year ran to $4,219 millions. The sale of American goods abroad in a normal year exceeds $5,000 millions.

It is probably a pretty theory rather than a practical possibility to connect debt concessions with disarmanent concessions. It is a nice thought, but there is no effective way of enforcing it.

Since war debts and reparations, in all probability, are no longer actualities, it is time to admit that the taxpayer will have to assume responsibility for the final writing off, and, if possible, some way ought to be found to ease his burden and spread it fairly.

The Unitted States must work out some adjustment of its financial and industrial policies abroad. It cannot maintain both a large export balance and a large creditor balance.

Most important, it might be well to admit all the way around that no business upturn hinges on the settlement of the war debt problem. Adjustment of these debts would be only one helpful factor in a broad recovery program. Many other problems are equally important.



BEER?—Workmen set up a huge filter at the Bishop & Babcock plant Cleveland as election-encouraged brewers rush orders in for new equipme

Christmas Clubs

They have lost members, but they can still release $440 millions of purchasing power.

'Tis the month before Christmas and all through the land 10½ million Christmas Club members are getting ready to draw an average of $42 apiece from the $441 millions they have accumulated week by week in 7,000 banking institutions. Depression has cut the ranks of the faithful 1½ million from last year's total, their savings aggregate $159 millions less and average $5 less apiece and 1932 sees a thousand fewer paying tellers rewarding the long patience of the thrifty.

So reports Herbert F. Rawll, president of the Christmas Club corporation, who started it all 22 years ago when he convinced 7 banks that "chicken feed" deposits were as big as they look today, raised his clientele to 100 a year later, and by 1930 was profitably distributing Christmas Club supplies to more than 8,000 depositories of "chicken feed" totaling $634 millions. Today Mr. Rawll makes his reports from the offices of National Bancservice Corp., holding company for several associated thrift-promoting and deposit-building subsidiaries.

As usual, New York leads all other states in club totals, will see $94,710,000 distributed to its thrifty this year. As usual also, the Middle Atlantic states top the sectional list with Christmas savings of $183,720,000. And as seems to be getting usual, Nantucket takes the per capita cake with an average of $50 saved for every Nantucket family. But Nantucket doesn't stand alone at the top as it did in 1931. Austin, Minn., also hit the $50 mark.

Storekeepers are already setting out bait for the 38% of these savings—$167.5 millions in all—that Mr. Rawll's inquiries tell him will be spent for Christmas purchases. Estimates credit another 28% ($123.5 millions of the grand total) to permanent savings and investments; 11% ($48.5 millions) to year-end commitments; 10% ($44 m lions) to taxes—which are getting mo than usual this year; 6% ($26.5 m lions) to mortgage payments and int est; 5% ($22 millions) to insure p miums; and 2% ($9 millions) to ed cation, charity, and travel.

New Calendar

Use of 13-month calendar is muc wider than generally known

The International Fixed Calend League has begun a census of Americ business concerns using 13-period counting; it knew of about 100 us when it began a few weeks ago; alrea the list has grown to 330. It now asking firms it may not reach with questionnaire to volunteer their nam

Eastman Kodak, Sears Roebu Hearst's 54 publishing and affiliat companies, Kroger Grocery & Bakin Loew's Theaters, Maytag Co., Weste Clock Co., Fuller Brush Co., Americ Bemberg Corp., Republic Metalwa Kendall Co., Hotel New Yorker, S. Kress & Co., Larkin Co. are a few the better known adherents.

Jan. 1, 1933, is a favored date f changing over to the 13-period syste It falls on Sunday.

The Lame Duck Congress

inding revenue and making appropriations will be bout all it can accomplish—with perhaps a beer bill if ne can be drawn to protect dry states.

ASHINGTON—Fiscal legislation will onopolize the scant time of the forthming session of Congress. Indeed, ongress will do well to pass the necesy revenue and appropriation measures Mar. 4. There will be no time for her legislation, save perhaps a bill odifying the Volstead Act, a measure extricably bound up with the revenue oblem.

Congress will face a deficit of $750 illions on current account, a billion d a quarter if capital investments of R.F.C. are included. New revenue gislation obviously is imperative. Prest excise taxes—the "nuisance" taxes are not raising the money expected. hey probably will be replaced by a anufacturers' excise tax of the charac proposed at the last session and comnly referred to as a sales tax.

Sales Tax Foes Weaker

Whether theoretically it is necessary not, the country has been sold the ea that the budget must be balanced. nce the last session it has become aprent that there is no insuperable opsition to a sales tax. It still will take hard fight in Congress to put it rough but the chances all favor its option. There will be some opposin from those who want to see sales xation reserved for the states. Repreentative La Guardia, leader of the antiles tax forces, will be a member of ongress until Mar. 4, but defeat at the olls robs a legislator of much of his fluence. Senator Harrison, who will the chairman of the Finance Committee after Mar. 4, hardly can continue effective fight on the sales tax when s own state of Mississippi seems satisd with it.

Banks Urge Change

The big banking interests are exertg strong pressure against pushing uch further the government's program financing itself by the sale of securis. Since July, the banks have abrbed more than $1 billion in short rm governments. Much of this, of urse, has gone to the R.F.C., which in rn has loaned it to business. The olume of short-term obligations against e Treasury is becoming unmanageble. There must be a limit beyond hich the practice cannot be pushed.

Appropriation bills promise to take more time than usual at the Decemr session. There will be full determination to effect economies. Economies e inextricably tied up with reorganization of federal agencies. The Administration will have a reorganization bill before the Congress which will go into effect automatically if it is not definitely voted down. As a result, time-consuming discussion cannot be escaped. Some apprehension is expressed as to whether the appropriation bills can be passed before Mar. 4.

With such a program before it, there is general agreement that Congress cannot take up other legislation of major importance such as bus and truck regulation, the Philippine bill, and revision of the banking law.

Ratification of the treaty with Canada providing for the development of the St. Lawrence is not expected at the short session. In addition to the objections that will be raised on practical grounds, it hardly is to be expected that a victorious opposition would erect a great memorial to Herbert Hoover.

The filibuster always is a powerful weapon in the short session of Congress. Its use does not have to be delayed until the closing days of the session. In a short session, the mere threat of filibuster wins concessions; there is so little time, so much to do.

It is fully expected Senator Glass will do what he can to secure consideration for his banking bill, but no important banking legislation is expected to emerge by Mar. 4. It is to be remembered, however, that Senator Glass was able to write his bill into the Democratic platform. This is expected to assure united Democratic support.

Would Curb Speculation

The Glass bill is predicated on the idea that banks fail because of stock market speculation and because the speculators have recourse to Federal Reserve funds. Most of the banking authorities think this is wrong philosophy, but they do not see anything terrible in this bill as now revised except the section which prescribes how many securities national banks may buy. Other principal features of his bill provide for state-wide branch banking; the regulation of affiliates and holding companies, and the setting up of a liquidating corporation so that payments may be made more promptly to depositors based on the assets of closed banks.

Beer and Wines (Domestic)

Not just a wet bill, but one that bars all imports, is the demand on a Congress impressed by wet votes and harried by the need for money.

STRONG efforts will be made to pass a light wines and beer bill through the short session of Congress. The Democratic platform favored modification of the Volstead Act as well as repeal of the Eighteenth Amendment. The platform gives dry Southern Congressmen one alibi for voting wet; the urgent need of revenue gives them another.

Any such legislation, however, probably must contain safeguards to protect dry states. If it does not contain them, it is predicted Hoover will veto the bill, and this Congress could not pass it over a veto. Protection of states that want to remain dry was a Republican plank.

California and New York wine people are going to try very hard to keep out all foreign beverages. They are enlisting the bottle manufacturers, label printers, box makers, and are even trying to interest the railroads. It goes without saying they count on the aid of domestic brewers, interested in keeping out imported beers and ales. Tremendous wet votes in referenda held in California, Washington, Arizona, Wyoming —all states heretofore considered politically dry—give weight to this lobby.

Enthusiasts talk big revenue figures—probably too big. From $1 a gallon wine, one estimate is $100 millions; from $6 a barrel on beer, $350 millions.

All this is figuring without the drys. Borah has announced he will filibuster any wet bill to death. But Borah never has taken an active part in any filibuster. He doesn't do all he threatens. And his influence is waning.

Quick Change

Industry wants to be quick on its feet; veers away from the single-purpose machine.

INDUSTRY intends, during recovery and after, to be quick on its feet; ready to redesign products quickly and inexpensively. Design engineers in the machine tool industry believe they have

indisputable evidence of this in the waning vogue of one-purpose machines.

Single purpose machines usually will perform their lone function more cheaply on mass production operations —which of course is the only place where they can be used. But if a new model change requires scrapping them, perhaps long before they have paid for themselves, the thin margin of savings is wiped out, and more.

Even in the automobile industry, the trend is highly apparent. For instance, machines for boring cylinder blocks and connecting rods are wanted now with adjustable centers.

Tax Reform

When President Hoover calls that promised tax conference he will find the real estate interests ready with a concrete plan to shift part of their load to other bases.

OWNERS of urban real estate, particularly the owners of small homes, and investors in loans on small homes, are developing a specific program for tax reform. It will be presented and vigorously pressed at the conference on taxation which President Hoover announced he would call after election.

It is not to be confused with the agitation for reduction of taxes; reduction of taxes is a part of it, but the real estate interests are thinking much more broadly than that. They are talking of abolishing needless taxing agencies and securing greater efficiency, but their main emphasis is upon tax reform rather than upon tax reduction.

Some of the broad outlines of the concrete program already are visible. Real estate men, building and loan association, property owners, and lending institutions are in substantial agreement upon two great principles; (1) Shifting a greater part of the tax burden from real estate to other bases; (2) tax simplification.

In detail, various proposals pretty well formulated include:

(1) Abolition of special assessments. In 20 cities, the gross total of special assessments has become greater than the general property tax. It is argued that it is no longer possible to draw a line around the district that will be benefited by a street pavement, for example; the automobile has made that ridiculous.

(2) Abolition of school tax districts. Education is a function of the state. The state should collect educational funds, prorate them by districts. This would wipe out thousands of taxing bodies, would result in equalizing the standards of schools between poor districts and wealthier. The process already has gone far in some states.

(3) The state should raise through gasoline and vehicular taxes all the money used for maintenance not only of country roads, but of city streets. City streets are part of the state highway system. Streets and roads should be paid for by the users.

(4) Coordination of federal and state income tax laws, so that they may be paid to one collection agency, with one standard form of return. The filling out of two returns in states which have income taxes is a heavy expense to large corporations and a great nuisance even to the individual.

(5) Similar coordination of federal and state inheritance taxes.

(6) Collection of all property taxes quarterly, as the federal income tax now is collected.

The United States Building and Loan League goes so far as to declare that it is working for the eventual complete abolition of the real estate tax. Its pronouncement runs,

"Every consideration of the ad valorem tax which seizes a portion of the value of one's wealth invested in property, whether permanently productive or not, whether it has enjoyed accretion during the tax period or suffered shrinkage, whether readily convertible into funds for payment of tax or not, and whether the owner should or can pay the tax or not, is no longer practicable."

It further wants the multitude of taxes combined into "one tax bill scientifically applied and divided among various general and special political, educational, service, and social activities."

Since it realizes this cannot be accomplished over night, the league recommends as a policy for its members that all future loans be on the one-bill plan, calling for periodic payments which will cover all taxes and all expenses of holding property.

New Cars

Plymouth, Dodge, and Chevrolet, first of the new crop, promise advanced streamlining, increased size, decreased prices. There aren't going to be any "economy models."

As show time approaches, it is the custom of the energetic Mr. Alfred Reeves, managing head of the National Automobile Chamber of Commerce, to write courteous notes to editors pleading for discretion in the handling of new car rumors because of their saddening effect on the market for present models.

This year, that market being what it is, automobile men are not quite so reticent. Chrysler announced his Plymouth plans a month ago and the new 6 is on the street this week. President Knudsen of Chevrolet, with stocks reduced to less than 3 cars per dealer, has outlined the specifications of the '33 model. Dodge, Chrysler unit, recognized the sweet uses of publicity, went so far as to issue its own rumors.

Following these came official rumors to knock them down. The transmissionless car was just a rumor, occasioned by the extreme quiet of the gear.

Finally, that hoary veteran of grapevine telegrams that Dodge would sponsor an economy 4 was disposed of, and the new model was revealed to patient newsgatherers as a 6-cylinder job with all modern improvements.

The new Dodge is first to standardize on doughnut tires; front axle and steering gear have been redesigned to that end. Bodies are streamlined and the chassis is inches nearer the ground. Silent gears are used in all speeds, including reverse. Automatic clutch and free-wheeling are continued from the present models.

The new Chevrolet will be radically different in appearance. It will have a longer wheelbase, feature many minor luxuries. It will offer the closed-car ventilating system which General Motors is promoting this year.

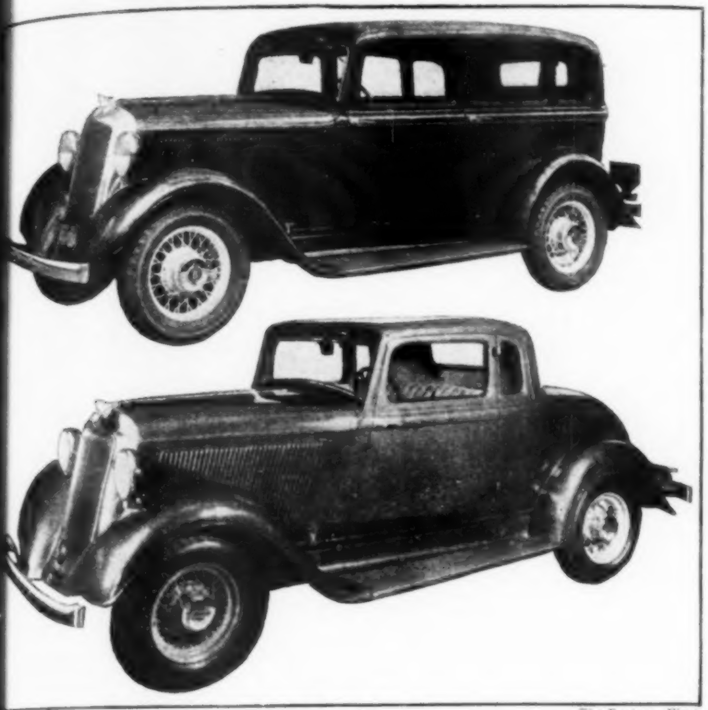
Advertising Slogans

Advertising has already begun to pave the way for the introduction of the new model in early December: "Keep an open mind until you see Chevrolet's Great American Value for 1933."

"Look at all three," repeats Walter Chrysler, this time with his foot on the bumper of a 6-cylindered Plymouth, "for a lot of things have happened since the last time you looked!"

The remaining member of All Three is characteristically silent.

The new Plymouth 6, on display this



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[PL]YMOUTH 6—Lengthened body, shortened wheel base, radical lines; float[in]g power, free-wheeling, automatic clutch; wind-sloped front end, enclosed [rea]r end with metal tire cover; custom colors at mass production prices; [6-c]ylinder, 70 horsepower engine. With these sales features, Chrysler aims [to] improve his position in the low-price field.

[we]ek, is the result of much figuring on [th]e drafting board, and a glance at the [cur]rent financial statement (Chrysler [chalkin]g up a $6½-million loss for the 9 [mo]nths of '32) makes quite believable [th]e boast of a "nine-million-dollar car." The company took advantage of slow [thi]rd-quarter business to change over [th]e plant in what is probably the greatest [mo]dernization move in the industry. [Th]e cost was courageously charged off at the same time.

Apparently, the big contenders for the mass market are going to do the impossible again with bigger and better cars for even less money. Chevrolet's announcement lays at rest the general understanding that it would split the line, offer a continuation of the present 6 and an economy version stripped down for the lowest price competition. The "Model T market" will just have to struggle along with its accustomed luxuries.

[F]urniture Goes Modern Again

[It] still looks like the best way to supplant the old pieces [th]at never wear out. And, this time, the manufacturers [th]ink they can avoid the mistakes of 1928.

[If] the style forecasters of Chicago's [W]inter Furniture Market (Jan. 3-14) [ar]e right, the American furniture in[du]stry, after 4 years of getting over it, [is] going to stake another pile of chips [on] "the modern." The designs of '33 [ar]e to repeat those of '28—with a dif[fer]ence. On that difference is based [th]e hope of a difference in results.

Modern furniture—it was "modern[isti]c" then—got its start in 1925 after [th]e Paris Exposition of Arts and Decorations, where it ran rampant. By '28 factory after factory was trying to persuade Americans that they could live with what over-ambitious designers thought they had seen in Paris. The incentive lay in the fact that, if you could sell just one piece, you were practically sure of replacing everything else in the same room—perhaps everything else in the same house. For only modernistic went with modernistic.

The sole drawback was that most dealers found that they couldn't sell even one piece to most customers. Lack of restraint in design, in taste, and in substitution of cheap materials in an effort to carry the fad to the lowest-price market let the boom down with a thud that has scared the industry for 4 years. Since then modernism has been confined largely to public buildings or to homes where interior decorators could provide it in the style and at the expense it requires—and to the dwellings of those truck drivers who wear polo shirts.

World's Fair Influence

To outsiders who wonder why the industry is going to gamble all over again, the gentlemen of the American Furniture Mart offer a logical answer. The old lure has not been forgotten and going modern still looks like the best way to increase individual purchases. ("A modern piece, added to the furnishings of a traditional room, will appear so strikingly new that the urge to replace the other old furnishings, etc.") There is a possibility that the Chicago Century of Progress Exposition, with its emphasis on modernism, will put the fad over where Paris failed. Furthermore, the industry is convinced that the public is now ready for designs that seemed too advanced in '28. And finally, it believes that chastened manufacturers are now ready to go into the movement without overdoing it as they did before.

The chief difference between this venture and the last lies in that resolution that the new designs shall be conservative and practical without comic shapes or frills. "Beauty will depend on the lines of the finished furniture, the wood itself." Here are some of the forecasts:

Rare Woods Used

More rare imported woods will be used. Finish will be mostly natural. Where stain is used it will be light, rather than dark. Strong colors will predominate. There will be less metal than on the first art moderne. Most pieces will be lower than corresponding traditional pieces. Grain will be more pronounced and random-grained woods will be preferred to geometrical designs—which means heart-sliced rather than quarter-sliced veneers.

Among "traditionals" most emphasis will be placed on the most "modern"—French Empire and Directoire styles. Provincial and Early American will be relegated to the back of the store. Federal American is going out with the Washington Bicentennial. Among woods the "Big 4"—walnut, maple, mahogany, and oak—will appear in about the same proportions as last season but the winter buyer is to be bewildered with talk of Italian olive, Carpathian elm-burl, English harewood, straw-colored Honduras rosewood, and a host of unpronounceables.

Job Insurance

Six states joined to study it last winter. Two now have bills ready to make it compulsory.

OTHER states are cautiously preparing to join Wisconsin in requiring industry to set up unemployment reserves. Ohio and Massachusetts, among the 6 Eastern industrial states which participated in the Interstate Commission on Unemployment Insurance last winter (*BW—Feb24'32*), will be considering definite legislative proposals this winter. Like the commission's report, these will call for compulsory reserves.

Workers Must Share

Ohio's bill will be based on recommendations just forwarded to Governor White by the committee of citizens which he appointed to study the insurance question. If they are enacted into law, Ohio employers will thereafter contribute 2% of their payrolls, Ohio workers 1% of their wages, to a reserve fund to be administered by the state. Out of this fund the unemployed worker, after waiting 3 weeks, will be able to draw 50% of his erstwhile weekly wage for the first 16 weeks of idleness (not to exceed $15 a week). Whatever he can earn by part-time work during that period will be deducted from such payments.

A year would be required to build up an initial fund, complete organization. The committee figures that if such a program had been put into effect 10 years ago, the state would have had $180 millions to distribute in 1930-31, instead of saddling the public with a burden that is getting too big for public and private charity together.

Massachusetts' Commission on the Stabilization of Employment will file with the General Court in December recommendations that stick closer to the program set up by the interstate commission last winter, a feature of which was the requirement that employers should carry the whole load.

Sliding Scale

Under these, Massachusetts would invest and administer the reserve fund but would keep each account separate. An employer would contribute 2% of payroll until his account covered $50 per worker, then 1% until it reached $75 per worker, stopping there until depletions set the machinery in motion again. The worker would contribute nothing; after 2 weeks of unemployment would draw $10 a week for not more than 10 weeks of idleness.

Stanley King, chairman of the commission, who reported on its program to the recent seventeenth annual conference of Associated Massachusetts Industries, said that the legislature would be asked to put the new laws in effect not earlier than Jan. 1, 1934, leaving a year for preparation.

The Business W

"NEVER USED BEFORE—NEVER AGAIN"—Newest paper milk contain is square, saving half the cubic space milk bottles occupy. American Pap Bottle Co., Toledo, sells cardboard blanks, flat; milk distributors buy machine which forms, paraffins, fills, and seals them. Bottle collection a sterilization, enormous expense of breakage are eliminated.

Night Work

Cotton manufacturers find a way to save a principle in the face of discouraging defections.

DIRECTORS of the Cotton-Textile Institute found a way out of the dilemma created by the defection of mills in 2 important subdivisions of the industry from the policy of no night employment of women and minors. Meeting at Spartanburg Nov. 15, they voted to decentralize responsibility; that is, henceforth each major division of the industry will make its individual decision as to whether to retain the agreement.

As matters stood before, the entire industry was pledged, so long as 80% of total spindleage in the industry adhered to the agreement, to live up to it. Recently, mills in the narrow sheeting and print cloths divisions abandoned the agreement, bringing the percentage of spindles adhering below the critical point (*BW—Nov9'32*). This would have released the entire industry from the pledge. Now it has been agreed that any division or divisions may abandon the plan without affecting the others.

Leaders, while frankly disappointed that a progressive policy which has won wide public approval and helped conditions in the industry has suffered reverse, are pleased that a way has be worked out to preserve the princip and to leave the door open for bad sliding divisions to return if they s the error of their ways. Besides t sociological values involved, the abo tion of night work for women a minors of course has its effect in r stricting production in an indus which has overcapacity.

Piracy

Silk printers end a long abuse b unanimously agreeing to refu copied patterns.

GOOD silk patterns have been exclusiv heretofore, for just so long as it too someone to get out a copy. Nov. 1 21 silk printers—which is all there a in the big silk-producing district th includes Paterson, N. J., and New Yo —signed an agreement that they "wi positively not print any design unless is registered with the Textile Desig Registration Bureau or patented wi the U. S. Patent Office." "Positively seems to settle it.

It has been a hard battle over th course of years, with ramifications to elaborate to be of interest outside th trade. It is possible the final agre

ment was accelerated by United Piece Dye Works, one of the biggest of all finishers, which decided recently to force the issue by reversing its policy and announcing it would hereafter print any design offered by anyone, and no questions asked. United had been leading the fight for design protection. Its bold move shocked the industry into new efforts to stop the flagrant abuses.

Petroleum's Progress

Enactment of the new Texas oil law strengthens the power of proration at a time when it is needed most to offset falling demand.

WHEN Ross Sterling, private citizen, goes home from the inaugural of the talkative Ma Ferguson he will have the satisfaction that, as governor of the Lone Star state, he signed a bill which helps him as an oil man.

It was just 15 months ago that cavalrymen armed with pistols and proclamations spurred through the oily muck of East Texas to bring prorationing to the wild wells.

Since then, crude has advanced from as little as 5¢ and 10¢ a barrel to as much as $1, and the black gold rush in turbulent East Texas has subsided.

This fall, just as producers everywhere were wondering what to do about seasonal shrinkage in consumption, the Railroad Commission let control slip (*BW—Oct5'32*). Coincident with the increased allowable, gasoline prices dropped sharply. This tangible warning, plus the action of Humble Oil (Standard New Jersey buying subsidiary) tightened it up again (*BW—Oct26'32*), resulting in a crude price increase which the big Standard buyers considered undeserved and did not follow.

Then a federal court, sitting in Texas, decided that orders of the Railroad Commission were invalid because they were based on market demand while the law permitted control only of physical waste. Once again, production control had only military support.

Once again, Governor Sterling called the legislature into special session. This time he was quite definite about inclusion of the "market demand" provision. Previous occasions found him unspokenly uncertain.

With petroleum production control the only business before the house, the legislature went speedily about it, prepared and passed a bill modeled on the "reasonable market demand" law of Oklahoma sustained by the august U. S. Supreme Court itself. The Governor signed it last week. Lawbook regulation succeeds pistol proration.

The psychological effect is visible already. Standard of New York boosted tankwagon and service station prices ½¢ throughout Soconyland, the second price increase this fall. As a result, there is a strong feeling that the big Standard buyers who refused to meet crude increases a few weeks ago may do so now.

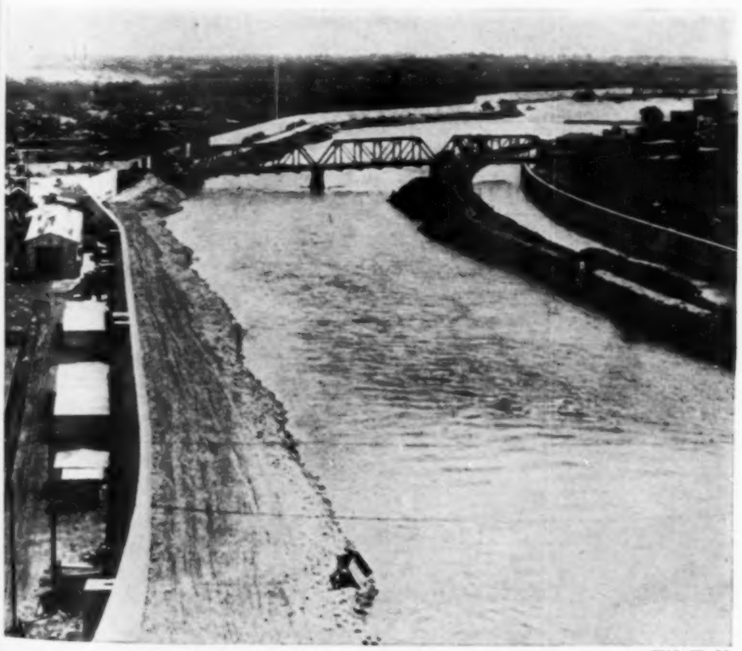
All of which comes at an opportune moment, for estimates of consumption for the next 6 months have just been released. Both the Federal Oil Conservation Board's voluntary committee and the industry's own investigators agree that motor fuel demand will drop considerably this winter and next spring.

Winter Forecast

The Federal Board estimates a decline of 7.6% from the same previous period. The American Petroleum Institute, less optimistic, measures a drop of 9.5%, looks for the lowest relative consumption in many years. To match this market shrinkage, further production restriction will be necessary.

Two voices sound the moral of the tale. Says President Beaty of the Institute, "Daily crude production is more than 100,000 barrels higher than it should be under a constructive program to balance supply with demand."

Says President Farish of Humble Oil, summing up the case for proration, "With excess crude seeking an outlet, or threatening to break out of control, refinery operations are stimulated to excessive proportions. Gasoline from superfluous crude supply, once manufactured, must be sold, and accordingly new and superfluous marketing facilities are established . . . Vexing problems in refining and marketing . . . can be solved if the supply of crude is reasonably balanced with demand."



Wide World

LAKES TO GULF—Completion of the Illinois waterway project connects the nation's greatest waterways, the Great Lakes and the Mississippi. This last link above Joliet will be ready when navigation opens in the spring.

Soy Food

Interesting efforts are being made to put the soy bean on the American menu.

To the Orient, the soy bean is meat, drink, cheese, bread, pastry, salad oil, and what not. To America, the soy bean is animal feed of swiftly increasing importance, and a source of industrial raw material. Somehow, we never have learned to eat it.

One of the first serious commercial attempts to popularize a soy bean food product is going on in Cleveland, where the Harshaw Chemical Co. is plugging "Vi-Zoy," a chocolate-flavored powder, rich in vitamins B and D, and recommended for children who object to milk alone, for expectant and nursing mothers, and for general use.

Fur (Trimmed)

Fur prices are down, but so are stocks. Competition has been fearful and wonderful, but it looks like a cold winter and the trade feels that the worst is past.

THE fur industry—doubly vulnerable as a seasonal-luxury trade—enters the winter hoping in the validity of signs that point to cold weather. Low temperatures and low prices are counted on to clean stocks and prepare for a thaw in demand next year. There is a feeling that the worst is past, record low prices for pelts and garments having painfully liquidated high-level commitments.

Furriers are apt to laugh at the luxury classification. They point to present prices as proof that fur coats now may be had at the cost of good cloth garments. Gimbel's, New York, has been selling lapin (rabbit) evening jackets for $15. Its ancient enemy, Macy's showed lapin swagger coats for $29.75, muskrat coats for $36.75. This was below the current level of comparable fur-trimmed fabric models.

Wars Nobody Won

Back of these indices lies a sequence of woeful battles which no combatant won. New York city, with its 10,000 workers, dominates the fur field. Its combats have been proportionately disastrous. Even in normal years competition was deadly. Shifts in style, the necessity for including a high-price commodity in a garment that might lack sales appeal, ran up the list of casualties. Failures of 120 firms a year were expected; since the slump there have been 300 to 400 annually.

In this trade one encounters again the depression break-up of large concerns into smaller units. Formerly a dealer in skins preferred to confine his accounts to 10 or 12 large garment-making firms. This often entailed a tie-up of capital until the manufacturer collected from the retailer at the start of the sales season. During the slump women naturally wore their old fur coats or bought less expensive ones of cloth. Retail bankruptcies backed up on the manufacturer, his demise wrecked or seriously injured the seller of pelts. As the big firms folded, workers were thrown out of jobs. They gravitated to small, adventurous "contractors."

All Split Up

The last manufacturing season (July to the end of September) produced many phenomena. Floors of New York loft buildings, formerly occupied by single firms, were cut up into tiny independent workrooms. Here contractors, employing a few cutters and operators, worked furiously to outdo each other. As soon as garments were completed, the contractor bundled them up and rushed out to peddle them among retailers. Such a situation could not exist in the cloak and suit trade where the manufacturer must have sufficient capital to deliver a full range of models and sizes. But the fur contractor often sold even the big stores 3 or 4 coats at a time.

Demoralization was inevitable. Knowing the precarious footing of the small contractor, the retailer put the screws on price. Larger manufacturers tried to meet the cuts. Quality suffered. Many a buyer will know the truth when she begins to put her hand through disintegrating garments that looked like wonderful bargains when they were bought.

Large and small, the coat makers took it out on labor. Normally the fur industry claims to be 80% unionized. Unlike the cloth garment trade, work in the fur industry is difficult, highly specialized, fairly easy to keep in line. But as the break-up into small units continued, the unions found it first difficult, at last impossible, to check on working conditions and wages.

To make the unrest complete, rival unions staged a midsummer fight. The Furriers Joint Council of the International Fur Workers is a conservative ally of the American Federation of Labor. Opposed is the Fur Department of the Needle Trades Workers Industrial Union. Officials of the last cheerfully admit radical aims. Posters at their headquarters urge workers to vote the Communist ticket. During the summer, the radical union made a drive for members against its conservative rival. Noses were bashed, eyes blacked. The radicals are admitted to have made large gains. They now claim 7,000 workers. Executives of the rival organization scoff at the figure, say it should be cut in half, they also declare that the radicals lured discontented workers with impossible promises, that better times will see wholesale desertions.

Wages Below Scale

This squabble did not affect the wage scale. Minimum for cutters is $44 to $50.60 weekly; for operators $35.20 to $41.80; for nailers (men who stretch and nail down skins) $33 to $39.60; for finishers $30.80 to $38.50. Actually, part-time and wage pressure by desperate contractors has reduced earnings to far below these figures.

The blind scramble for work and business has at least moved goods. Another break in the industry's favor was

International News

BREAKFAST CAR—Connecticut commuters, tired of breakfastless rides into Manhattan, rebuilt an old passenger coach, installing pine-panelled walls, counters and stools. The New Haven attaches it to the 7 o'clock out of New Haven; commuters may run without remorse, breakfast without haste. On the return trip at night, light supper is served.

the prevailing styles in coats and suits. Paris decided that such garments should be embellished with fur collars, sleeves, elbows. About 60% of the past season's fur activity was in such trimmings. A vogue of capes "like grandmother wore" accounted for further sales. (Movement of the regulation long fur coats has been torpid.)

Not So Badly Off

Statistically, the industry isn't as badly off as one might expect. Number of skins processed by members of the Fur Dressers and Dyers Association declined only 7% between 1930 and 1931. Imports of coney and rabbit skins held close to 17,000,000 pounds during 1929, 1930, 1931. Imports of ermine during those years were, respectively, 917,000, 830,000,816,000. But values of ermine imports were, in the same sequence, $2,277,000, $1,198,000, 917,000, 830,000, 816,000. But values greater as to volume, but much less as to value. Total imports of undressed furs were $108 millions in 1929, $57½ millions in 1930, only $48 millions in 1931. Value of all fur garments last year was $277½ millions, and employment was furnished 15,752 persons.

The manufacturing season closes with the industry happily emphasizing the fact that stocks are 25% under last year. Fur farmers unloaded without completely cracking the market. Silver fox raisers disposed of all pelts at 30% to 40% under former quotations—but they reflect that at least they have cashed in their labors, that prices held better for them than for food farmers. Silver fox pelts averaged this year around $33 each; in 1929 the average was around $60, with a $250 sale not unusual.

Just ahead is the trapping season. The ranks of the trappers will be reinforced by former farm-born automobile workers and other jobless. These with other factors may over-produce. From distant Alaska comes the news that Omaguk, the Eskimo, has been forced by the depression to forego canned beef and store clothes for the hair pants and raw seal meat of his fathers. Northwest Canadian Indians now produce 5 beavers to obtain a barrel of flour, which is $40 c.i.f. the tepee door. These professionals must do heap plenty trapping to sustain the union of body and soul. In addition, there is a decided increase in state propagation and profit breeding.

All fur interests console themselves with the thought that their industry will be among the first to benefit from better times. Fur coats are rated as one of the regulation uniforms for boom eras.

Railroad Pool Dries Up

Behind the plausible reasons for abandoning the scheme of turning surcharge funds over to needy brethren is the big systems' resentment of the I.C.C.'s "socialism."

It's everybody for himself again among the railroads. A year ago they reluctantly agreed to protect the welfare of all by pooling rate surcharge revenues for distribution as loans to hard-pressed individual roads. Now they have decided to quit pooling. The disappointing yield of the rate surcharges and the reserves of the Reconstruction Finance Corp. are plausible reasons advanced—also the necessities of roads that must contribute to, but are not eligible for loans from, the Railroad Credit Corp.

The aggregate of loans—$36 millions to date—is not significant, but saving 40 roads from defaulting on fixed interest obligations has thrown a bulwark around the railroads' total funded debt of $10 billions. Roads that could resort to the Railroad Credit Corp. and many others that will need additional financing next year won't be able, unless a more liberal policy is adopted, to get it from the R.F.C. It conforms to banking practice; demands adequate security.

Many roads that have contributed their surcharge revenues to the pool this year have been forced to borrow elsewhere, but pocketing the surcharges of $60 millions hereafter won't cover their deficit of $200 millions.

The I.C.C. can't compel the roads to pool the surcharges, but it can refuse to authorize the carriers to extend the emergency increases beyond Mar. 31.

Apprehension by the large systems that their heavy contributions to the surcharge fund will never be repaid probably is one reason for ditching the scheme. Back of that is their resentment against the commission's "socialistic" idea that, in its first form, contemplated outright donation of the surcharge revenues to needy roads.

The annual meeting of the rail executives did not bring out a legislative program. The association will probably accept the invitation of the Coolidge Committee to submit data but is not likely to let its case for equal regulation of the railroads' competitors rest there.

I.C.C. Chairman Porter helped the railroads' contention this week by suggesting complete federal regulation of all forms of transportation in which the I.C.C., the Shipping Board, and the Aeronautics Branch of the Commerce Department would function under a national director of transportation.

Rails Into Roads

Rhode Island Commission says "obsolete" trackage should be converted into truck highways.

JUMPING in ahead of the New England Council which met late this week to consider the railroads among other New England problems, the Rhode Island Commission on Foreign and Domestic Commerce forwarded to Calvin Coolidge's National Transportation Committee on Monday what it regards as a complete solution. It proposes quite simply to turn a quarter of them into truck highways. The supporting figures are admittedly tentative but the argument is easy to follow. Says the commission:

A high percentage of New England traffic is short-haul traffic. The most economical method of handling this short-haul traffic today is not by rail, but by truck. If this is true at least 2,000 miles of short-haul New England branch and feeder lines (out of 8,000 miles of New England trackage) have become obsolete for railway purposes. Only higher rates on the productive 6,000 miles will make it possible to carry this $200-million ($100,000 a mile) obsolete investment. And higher rates will only add to the tremendous exodus of traffic to the trucks.

The only way out is for the railroads to convert these 2,000 miles of track into highways for their own trucks, toll roads for all other trucks—or to sell them to the states for such conversion. Since it should not cost more than $30,000 a mile to make the change and since new highways suitable for heavy-duty trucks ordinarily call for a capital outlay of $100,000 a mile (including right-of-way), the states could afford to purchase these obsolete lines at $70,000 a mile.

What Each Would Get

By such a sale rail bondholders would salvage some of their investment. Cutting their New England rail valuation from $900 millions to $700 millions would enable them to cut rates on the other 6,000 miles and so check losses to the trucks. New England would gain a series of low-grade short-line arterial highways, made self-sustaining by truck tolls. Congestion would be relieved on other highways. Requiring trucks in excess of a fixed tonnage to use the toll roads would bring the truck regulation problem to a happy solution, speed up highway transport.

To all this the commission appends a corollary. Since the railway is "the

fundamental medium of long-distance mass transportation," New England roads, stripped of their "obsolete" short-haul branches, should be tied into the trunkline systems envisioned in the 4-party Eastern consolidation plan, which the Interstate Commerce Commission approved with the disposition of the New England roads left in abeyance. Unlike its neighbor states, Rhode Island has had clear convictions on this point ever since the Eastern consolidation was first proposed.

Battered and bewildered as they are, the railroads have some clear convictions, too. One is that they are now getting somewhere in creating a public sentiment favorable to curbing their highway competitors, and thereby regaining lost traffic without making drastic changes. Furthermore, some of them have found that they can operate their own trucks and buses on public highways already built. On the other side, the truckmen, now organizing for battle, are not likely to relish the toll idea. And finally there is a large question as to whether many states are ready to embark on such a road-building program as this plan proposes, particularly since $70,000 a mile may prove less than the carriers will take now and more than they could hope for later.

All of which suggests that Mr. Coolidge and his associates on the National Transportation Committee may think the Rhode Island "way out" possibly inevitable but probably premature.

Tit for Tat

Southern roads believe some good brisk retaliation might cure the barge lines of rate-cutting.

RAILROADS serving the Mississippi river valley and the South, with 13,000 miles of waterways, demand from the I.C.C. the right to base their rates on barge line rates. That is, whenever a barge line cuts a rate from port to port, the roads want to be able to fix a rate just 25% above it.

As it is now, barge lines and railroads are compelled to make joint rates, the barge rates fixed at 80% of the rail rates between the points served by water. But when the barge lines get shipments from port to port, they are not restricted, and they cut below this differential. Port to port rail traffic is disappearing. The railroads think the barge operators will not be so ready to cut when they find the roads can meet them at every move.

The I.C.C. probably won't grant the roads' request as it stands, but the commission may now be forced to face the facts of the situation. Traffic heavily diluted with water and gasoline won't support the commission's pet "dry land" theory of rate-making.

Air Fight

E. L. Cord goes briskly into action when a merger threatens the market for his Stinson planes.

WHEN E. L. Cord sold his Century Air Lines to American Airways last April, most people thought the aggressive builder of Auburn and Cord motor cars, Lycoming motors, and Stinson planes was through with the air transport business. But it seems he isn't through.

Perhaps he wasn't quite ready to move, but his hand was forced when he learned suddenly that Aviation Corp., holding company of American Airways, and North American Aviation were about to merge. Cord promptly unloosed legal batteries to block the deal; a long struggle is forecast.

A Dirty Fight

It is a nasty fight, too. Mr. Cord buys big newspaper space to tell stockholders that banking interests (Lehman Brothers, W. A. Harriman) are endeavoring to help themselves at owners' expense. The management buys equally big space to describe Cord's unsuccessful venture in the air transport business. The air pilots, headed by the vociferous LaGuardia, give out long statements denouncing Cord, whom they quoted as saying that he was going to make $150-a-month chauffeurs of $300 pilots.

Of course this might be construed as merely an effort to protect the market for Stinson planes. As 30% owner of Aviation Corp. Cord is the largest stockholder, and American Airways uses a good many Stinsons. Some of these it took over when it acquired Century; recently it bought some more, held for the most part in reserve.

But North American is made up of Curtiss-Wright, Sperry Gyroscope, and Eastern Air Transport. Eastern Air Transport naturally uses Curtiss-Wright Condors and Kingbirds.

Cord alleges the Aviation Corp.–North American merger plan contemplated a voting trust which would have perpetuated control of minority interests. Foreshadowed in this might easily be adoption of Curtiss-Wright planes on American Airways lines.

Control Is Involved

That would be reason enough for Cord's fight. But some observers believe there is more to it than that. They suspect Cord was quietly gathering strength for an attempt to grasp complete control of Aviation Corp. at a special meeting.

Leaving aside questions of rivalry for equipment business, merger of North American and Aviation Corp. would seem to have certain advantages. American Airways operates lines on the New York, Buffalo, Cleveland, St. Louis, Kansas City, Dallas route, thence through the Southwest to the Coast. Eastern Air Transport operates from New York, through Atlanta, to Florida; American Airways bringing passengers from the Coast through the Southwest to Atlanta must there turn them over to Eastern for the trip to New York or send them over two long sides of a triangle.

E. L. CORD—The largest stockholder in Aviation Corp. fights merger to save a market.

Air Travel

More passengers and more pounds of merchandise are flying this year.

BETTER business is in the air—or at least, business in the air is better. Passengers carried within the United States for 9 months this year, 382,171; 9 months last year, 357,825. Express carried, 754,255 lb. against 1931 561,429 lb., an increase of 50%. Mileage flown, 35 million against 31 million. Passenger miles, 100 million against 82 million.

Counting passengers and express on lines operating from American ports to foreign, the passenger count is 248,95[illegible] for 6 months this year, 193,651 last. Miles flown, 24 million against 2[illegible] million. Express, 712,638 lb. against 417,309 lb. first half of last.

Mail figures (domestic) for 9 months at first glance do not appear so encouraging—5,750,878 lb. this year; 6,718,00[illegible] lb. in 1931. But statistical methods have been reformed this year and duplications have been weeded out. A pound of mail that traveled on 3 lines used to appear in the statistics as 3 pounds. Comparisons therefore are impossible. It is conceded, however, there has been a decrease in mail flown in 1932.

Life Insurance

The great companies consider increasing rates and charges to strengthen their position, as actuaries weigh depression experiences.

MANY who have wondered what would happen to insurance, the most far-reaching of all modern financial institutions, as a result of the severest depression it has ever met, have been surprised that so little has happened, at least on the surface. By comparison with banks, insurance companies have come off almost unscathed.

One indication of this is the relatively insignificant assistance the R.F.C. has had to supply to insurance concerns. Up to the beginning of October loans to insurance companies amounted to $59,433,000 and of this $2 millions had been repaid, leaving outstanding about $57⅓ millions compared with over 700 millions to banks, etc. While the latest R.F.C. report does not indicate the kind of company, it is probable that very few if any were life insurance concerns.

The Broader Aspects

Much has been said about policy loans and similar depression experiences of insurance companies, but little about the broader aspects of their position as a result of the great changes in price levels, incomes, and business conditions. Some of these are now being examined with care and conclusions are being formulated. One of the most surprising of these is that insurance should cost more, and probably will. Simultaneously with the annual meeting of the American Institute of Actuaries in Chicago early in November came the announcement from the insurance Acropolis at Hartford that some of the larger life companies have been considering increases in rates and reduction of policyholders' privileges and dividends.

If this seems strange in a world of falling prices and incomes, it is pointed out that insurance is not a commodity or a service but a capital obligation, more difficult to discharge when the value of the dollar has risen. Insurance companies are creditors to those to whom they lend their money, but debtors to their policyholders, and on both sides of the equation the deflation has increased their difficulties so that it becomes imperative from now on to strengthen their reserves as though—and this is an implied forecast—the present level of prices and values were to remain fairly permanent.

Possibly future dollar income from new policies may be smaller, if the margin for savings of the average insurance prospect is reduced with curtailed income; the average size of policy may be smaller, as the amount of protection provided by the dollar has increased.

Unexpected Phenomena

More important is the fact that the depression found life insurance companies unprepared for certain features of their policyholders' behavior.

Although the general death rate has been declining, this is due mainly to lower mortality among infants and children. The depression has been hard on the higher age groups, and especially has put new emphasis on the suicide clause. So actuaries conclude there should be a greater differential between the rate for those insured at an early age and those insured after 40. At the Actuaries' Institute meeting the suicide clause question precipitated sharp debate. The general opinion appeared to favor uniform adoption of a 2-year exclusion clause, or somewhat longer than the average usual now.

Whether because of a slight increase in the suicide hazard or of more severe physical strain of the depression period, the mortality experience has tended to become slightly more unfavorable among the highly insured groups, that is, among the so-called "jumbo risks."

The "Big Shots" Die

General mortality, and mortality among industrial policyholders, has declined, as it usually does during depressions, and the experience on risks up to $200,000 has been favorable; mortality in the $200,000–$1,000,000 group has been slightly unfavorable. In the million dollar and over group the experience has been highly unfavorable, in fact about 70% above the standard normal employed. This is to June 30, 1930; it would probably be worse if brought down to date.

Another depression discovery is that surrender values have been too high, or rather surrender charges too low in the early period of insurance.

Prosperity tended to stimulate over-insurance, in the sense that policyholders cannot keep up the insurance they assumed.

Insurance company income has been hurt by scarcity of eligible investments with sufficiently high yield in which to place new funds coming in from new premiums. It has been necessary to keep large amounts in cash, partly

Wide World

CHAMPION CORN HUSKER—It may be worth only two bits a bushel, but Corn still is King on the prairies, and the annual husking contest is a big event. Carl Seiler of Knox County, Ill., won this year and set a new record—36.89 bu. in 80 min.; the previous mark, 35.08 bu., was set by Elmer Williams in 1925.

against policy loan or cash surrender demands, or in short term government securities or call loans yielding fractional percentages of return.

All this means dividend reduction, which will be fairly general even among the larger companies this year or next. In the case of mutual companies such reduction amounts in practice to an increase in insurance rates or actual costs to policy holders who usually apply dividends to premium payments.

House Market

A revival of homebuilding, brought about by new techniques of construction, would provide a vast market for materials. Inter-industry competition for this market now includes steel, new synthetics, glass, porcelain, and cotton, as well as wood, paint, brick, cement.

THERE is a saying among architects that nobody can figure the cost of a house in advance. Barns, factories, and skyscrapers can be built and priced on paper, but a man's home is an unknown quantity: the only way to figure it is to build it and add up the bills.

In big building construction there is a background of experience which can be applied; much of the material is factory-made. In residential construction, each house is a rugged individual, a separate job manufactured, for the most part, right on the lot.

The common aim of all the various plans now afoot is to shift as much as possible of this manufacturing from the lot to the factory, change uncertainties into definite dollars. With costs reduced and able to be figured in advance with some show of accuracy, homeowners and contractors alike could make an investment instead of placing a bet.

Those Steel Houses

First departures from tradition were the steel houses erected in the Cleveland area, already described and pictured in *The Business Week*. One, sponsored by Ferro-Enamel Corp., has a steel frame, naturally uses a great deal of enameled steel for wall tiles, baseboards, flooring, shingles. The other, a product of Insulated Steel, Inc. (sponsored by American Rolling Mill Co.) is frameless, represents perhaps the greatest advance in home construction in the employment of permanent materials and factory fabrication.

Their utility is unquestioned, but neither of these structures made any records for looks or economy. Their strictly sanitary surfaces were somehow a little bleak and barren. And builders using old-fashioned lumber and brick chuckled when costs went well over the $20,000 mark.

Nevertheless, these are courageous attempts. As experiments, they provided facts which will contribute to better homes at lower cost.

In answer to the threatened, if not yet accomplished, invasion of their market, the lumber manufacturers are discussing the possibilities of selling houses in parts rather than wood in bulk. The National Association of Lumber Manufacturers queried its members on sectionally-built houses. Centrally-planned, they could be packaged by individual dealers. Yard men could use their plentiful spare time to build up side panels and floor sections. Prospects could buy a cottage like an automobile, take delivery in about the same time.

Another lumber move is expansion of the ready-cut idea. Sears, Roebuck, for instance, now does more than ever of its home work at the mill.

The "cotton house" illustrated is a move toward the use of larger units and the elimination of joints. Canvas has long been used for boat and roof decks. Cotton manufacturers see no reason why it should not be ideal for walls. The Cotton-Textile Institute got Messrs. Kocher and Frey to design a week-end house and a low-cost 5-room house which use canvas for walls, roof, and floors.

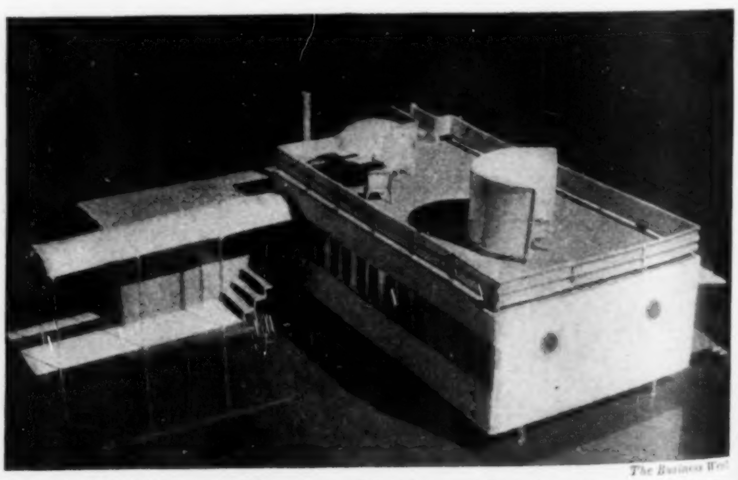
Glass, in bricks and building blocks, is promised by Owens-Illinois Glass Co. whose first glass house was viewed by architects recently in Columbus. While this use of glass as a building material is largely directed at industrial construction—factories, filling stations, stores—the Pittsburgh Plate Glass Co. is doing some experimental work which forecasts greater use of glass in the home. Double glazing of windows is found to save 30% of heating cost. If a window can be made which wastes no more heat than any wall, it may mean more and larger windows with consequent smaller market for wall materials. Windows, too, are factory fabricated.

The Masonite House

The coming Chicago Exposition will see several examples of new ideas in small house construction. There will be steel houses, wood houses, "synthetic" houses. One of the last is being built by the Masonite Corp. to demonstrate the possibilities of its product. Masonite is the material developed by W. H. Mason with the aid of Thomas A. Edison. It takes waste wood, explodes its fibers and presses them into boards.

Unusual features include flat roof-decks which can be used by the occupants, walls of structural insulation covered with Presdwood, varied ceiling heights, an electrified baseboard which makes it possible to plug in a lamp anywhere around a room, double-glass windows which rise into the walls.

Thus in the new techniques there is new competition: porcelain enamel with paint, canvas with plaster and wallboard, steel with wood, glass with brick and concrete. This competition may bring renewed life to the building trade.



COTTON HOUSE—Architects' model of a week-end cottage with canvas-covered walls and roof deck, folding partitions and awnings. It is coated with fire-proof paint, insulated with aluminum foil, takes 600 yards of material. Another, more permanent, has 5 rooms, deck, and garage.

Wide Reading

ARE WE SELLING TOO MUCH SERVICE? Robert R. Updegraff. *Advertising & Selling*, Nov. 10. "We shall not cut distribution costs until we make up our minds to sacrifice many of the ways in which the merchants, the manufacturer, the proprietor, the landlord now *serve-us*."

LEGAL CONTROL OF LIFE INSURANCE INVESTMENTS. E. T. Halaas. *Journal of Business*, October. Future state legislation may liberalize along lines which a few states have already initiated.

A BILLION LOSS IN SOUTH AMERICAN INVESTMENTS. Max Winkler. *Magazine of Wall Street*, Nov. 12. What shall the holder do with bonds now in default? Sell now, or hold? Opinion of an expert.

KENT PLAN TO SETTLE EXHIBITOR PROBLEMS IN FINAL CONFERENCE. *Motion Picture Herald*, Nov. 12. New standard contract and restoration of voluntary arbitration and film boards of trade. Film industry plans its own "supreme court."

THE ECONOMIST ANSWERS. Claudius Murchison. *Virginia Quarterly Review*, October. Visible changes in our system include a trend away from centralization (except in utilities); a new philosophy that technological change demands a compensating change in the form of new industries and commodities or an enforced reduction in the standard of working time; the new significance of security prices in the general economic scheme; the new importance of international economy.

BOOKS

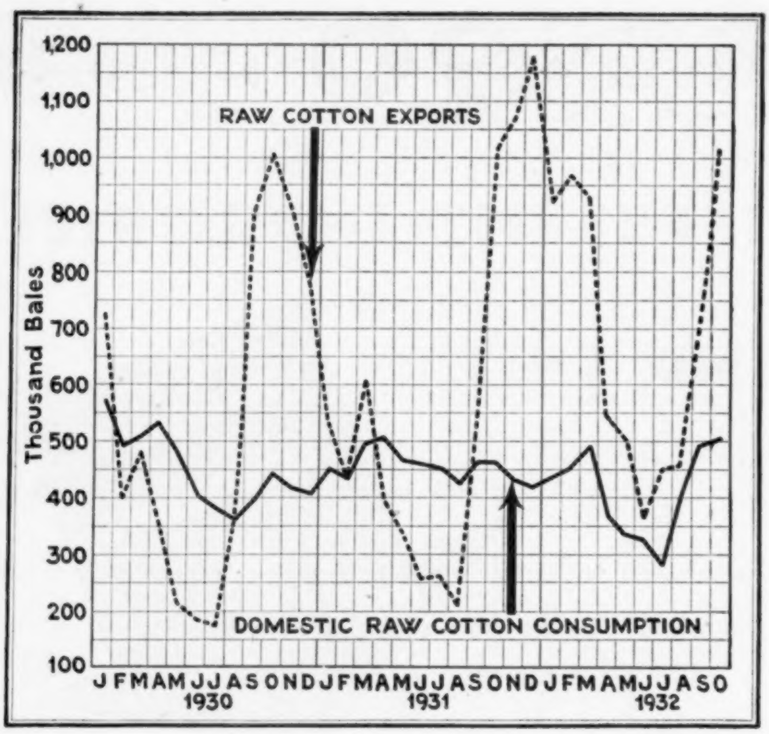
A GUIDE THROUGH WORLD CHAOS. G. D. H. Cole. Knopf, 554 pp., $3.75. An attempt to trace the trend of economy for the open-minded citizen who possesses no special economic training. Ranked with Salter's "Recovery" as a business epic.

STOP, LOOK AND LISTEN. David Hinshaw, in collaboration with W. Espey Albig. Doubleday, Doran, 293 pp., $2.50. What the Commerce and Marine Commission of the American Bankers Association, sponsor, thinks that security holders and the general public should know about the railroads' problems nad how they have arisen. Facts, figures and numerous quotations from rail authorities set forth a highly readable but partisan statement of the railroads' case for a "fair deal."

REPORTS—SURVEYS

SHORTER WORK PERIODS IN INDUSTRY. National Industrial Conference Board, 56 pp., $1. A cool realistic analysis of this unemployment panacea called "work-spreading." Its long-run effects on jobs, purchasing power, production, prices, competition, and economic development. Specific types of shortened work schedules. Depression experiments. Logic applied to a problem sorely in need of it.

CAUSES OF COMMERCIAL BANKRUPTCIES. Victor Sadd and Robert T. Williams. U .S. Department of Commerce in cooperation with Institute of Human Relations and the Law School of Yale University, 52 pp., 10¢. Close scrutiny of 570 failures reveals a lack of business judgment, over-extension of credit, lack of accounting records, lack of adequate capital, fraud, or competition. Possible remedies.



Cotton Future

Prices in the cotton market are depressed by poor consumption prospects, and by large supplies not offset as much as expected by this season's small crop.

THE November cotton crop report was something of a shock to the market, and dropped December cotton in New York close to 6¢. The low for this month's option was touched early in June at about 5¾¢. Then came indications of a short crop, and the August crop report forecasting 11,306,000 bales as compared with 17 million bales last year. The September report confirmed this, and early that month December cotton reached 9¢, the high for the year.

Since then the Crop Reporting Board and the Farm Board's American Cotton Cooperative Association have led the market a merry dance. The October crop report boosted the estimate to 11,425,000. A week or so before, the Co-op Association sent its members its own secret estimate of 11,420,000 bales, and the coincidence raised questions in the market about "leaks." For November the advance Co-op Association estimate was 11,750,000, and the co-ops began to liquidate. Some days later the Crop Board trumped this figure with 11,947,000.

Throughout, the co-ops, with 230,000 members and 7,000 crop reporters to draw upon for information, have been consistently better guessers than the trade or the market, which have clung to the idea of a small crop, even smaller than the official August estimate indicated. The fact that some of the government's and the co-op's reporters are the same persons and that the co-ops have had sufficient advance knowledge of increases in the official estimates to protect themselves in the market has seemed suspicious to the trade and intensified the customary cussing-out of the Farm Board and its co-ops.

Whatever the real story behind the wide discrepancy between the August pre-campaign and the November post-election crop estimates, the sharp upturn in cotton prices this summer was an important factor in the general improvement of the business picture. There was a sympathetic rise in other prices. Manufacturers rushed to buy raw cotton; converters, wholesalers, and retailers to stock up with cotton goods. Sales, unfilled orders of cotton cloth soared somewhat ahead of production; industrial demand for textiles rose and helped increase domestic cotton consumption by 3.3% in the August–October, 1932, quarter as compared with 1931. Exports in this period were 25% above the preceding year.

Several factors have put a damper on this enthusiasm. First, the 12-million bale crop, together with the record carry-over of 13¾ million bales on Aug. 1 leave the supply picture somewhat depressing, even though better than the year before, when the bumper crop complicated the situation. The present supply of American cotton, about 25 million bales, is about 2 years' average world consumption at the present time.

Carry-Over Increases

Since the summer of 1929 the carry-over has increased from 4½ million bales—about normal—to 6 millions in 1930, 9 millions in '31, and 13¾ millions in '32, and the prospective supply at the outset of the season from 19.3 millions in '29–'30 to 26 millions in '31–'32 and 25 millions this season. With this steadily rising supply prices dropped from an average of 18.6¢ in the '28–'29 season to 5.9¢ in the season just closed—in almost the same proportion as the carry-over increased.

Foreign growth of cotton was greatly stimulated by the high prices of pre-depression years and there was a definite shift toward relatively larger consumption of foreign as compared with American cotton in '28 and '29 until in 1930, for the first time in history, world consumption of outside growths exceeded that of American cotton.

Low depression prices and failure of the Indian crop in 1931 have tended to reverse this trend. Foreign consumption of American cotton, as shown by export figures, has increased rapidly in the past two seasons, particularly in the Orient. In fact, consumption of American cotton by Asiatic countries last season was just about double that of the preceding season, which was normal.

Probably Non-Repetitive

It does not seem likely that that situation will be repeated this season. Both Chinese and Indian crops will be larger, and although the Cotton Exchange and the Department of Agriculture experts do not agree, the official opinion is that foreign supplies will be about the same as last year. Foreign consumption of American cotton is likely to be smaller. Japan bought most of her supplies of it last fall when she was still on the gold standard. She has since been able to sell cotton goods made of it in the Orient with the advantage of a depreciated currency, but it is now more expensive to buy cotton here than to buy it in India, where she can also sell some of her cotton manufactures. The same applies to Manchester.

In other European countries as well as at home, demand depends on business recovery. The October report of sales of carded cotton cloth indicates that

mestic demand is declining from this mmer's peaks. Sales were 282.4% production in August, 102.6% in ptember, but only 59.1% in October, d unfilled orders fell off. It is prob- le that this year's cotton boom is all er.

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Woolly Cotton

ew chemical process makes tton as warm as wool.

THE reason for the warmth and non- inkling properties of wool textiles, ol fibres are ineradicably curly. isted into yarns, they form millions little air pockets and thus create an ulating blanket.

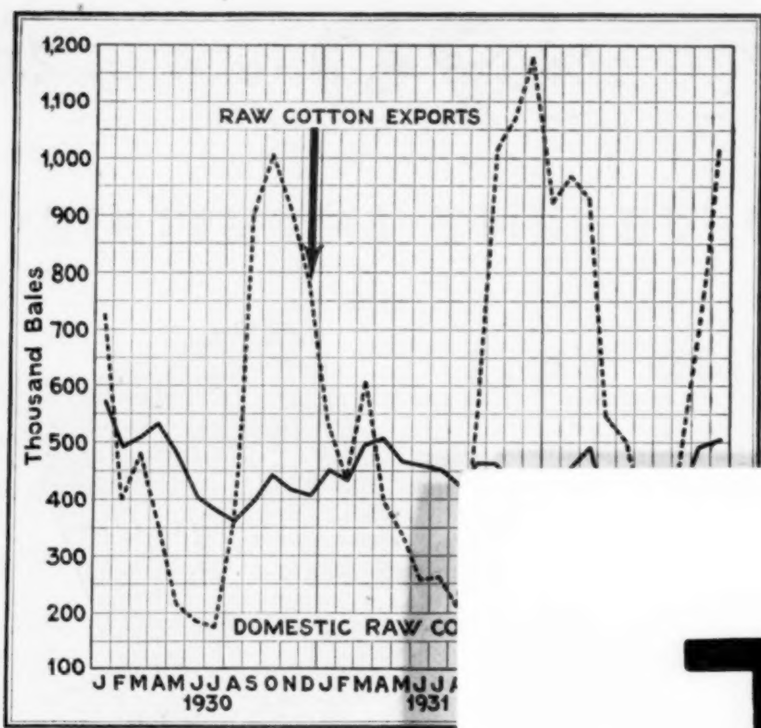
Du Pont announces that a chemical ocess now in use at the Bellman- ook Bleachery gives a permanent curl cotton fibre, so that it can be spun o yarns and woven into goods closely embling wool, and having the same armth. It is possible also to treat ece goods to give the wool finish. is is fundamentally different from ol finishes of cotton goods in the st, which have been largely me- anical.

Another new development in textiles a waterproof, airproof silk, for rain ats and similar uses developed by ington Varnish & Insulator Co. The w processed silk is said to be not so avy or clumsy as the familiar oiled ks, and never to become sticky in any eather.

Quality Sheets

WAMSUTTA MILLS (nationally ad- rtised sheets, pillow cases) mindful the trend toward lower quality which rallels low prices decided to look be- re it leaped into cheaper grades of its amsutta Percale sheets, asked its vertisement readers to vote on the atter.

As a result of the inquiry, Wamsutta ill continue to better, rather than eapen its line. Over 90% of the oluntary voters said emphatically, Don't cheapen the quality." The re- ainder were less emphatic or sug- sted a lower grade under another ame. Not one asked for lowered uality.



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Earnings—Mostly Deficits

Third-quarter reports sprang no surprises, except that the railroads did so well on so little.

As the round-up of the third-quarter earnings reports is completed it becomes apparent that, for most of us, they can be called that only by courtesy. With the news in from 209 industrial corporations, Standard Statistics finds that only 9 of the 24 major classifications came out of the July-September valley with net profits. A combined report for the first 209 would end with a deficit of $22,103,000 against a profit of $87,234,000 for the same concerns in the same quarter of 1931.

Of course, this isn't bad news at all to anyone who has been doing business during recent months, and to many the final record, being no worse, will look like an achievement. For so much of an achievement as it is, 2 industries can take most of the credit: oil production and refining, which alone did better than a year ago; food production, which continued to fight the stoutest rearguard action. With these, the industries which ended the quarter in the black were the purveyors of advertising, chemicals, electrical equipment, household products, medicine and drugs, office equipment, tobacco.

Deepest in the red and weighing down the whole list were steel and motors. Exclude U. S. Steel and General Motors from the 209 concerns and the industrials come out with $3.2 millions for the quarter instead of a deficit, or just 94.6% below the comparable 1931 showing; their shrinkage in net for the entire 9 months drops from 99.5% to 79.4%.

Utilities 16% Off

Reading these totals the utilities can easily say it might have been worse for them, though the continued decline in domestic and industrial consumption of electricity is amply reflected in their figures, with 25 companies reporting income 16.2% off as compared with the September quarter of 1931, and 14.8% off for the 9 months.

In the final group, the railroads, there is a distinct note of self-congratulation. Of course, the first 30 roads to report quarterly data to Standard Statistics showed deficits. As the anti-Tammany candidate for mayor of New York said after the election, "This is not an age of miracles." But the rails have been doing one or two things that look like miracles. For instance, Class I roads held their September net operating income within 10.4% of the showing of a year ago, although gross operating revenues were 22.2% under the September, '31 figure—this by slashing 26.7% out of operating expenses. When the long-deferred maintenance expenditures make their inevitable appearance later on, this will look a little less miraculous.

Greek Trade

Business over there organizes to sponsor sales to us.

Relatively speaking, Greece does not loom very large in our export business. Sales usually top $20 millions a year. Our purchases from Greece, however, are very important to the Greeks, though the volume of business is considerably smaller than in the opposite direction.

Alarmed at the tightening barriers to trade in Europe and aware of the popularity of certain Greek products in this country (particularly tobacco, currants, and olive oil), Greek industrialists and exporters are organizing to encourage trade between the 2 countries. More than 100 leaders met in New York recently and discussed plans to form a Greek Chamber of Commerce, to open offices in this country to represent the League for the Protection and Improvement of Greek Trade, and to plan an intermediary trading association to sponsor business between the United States and Greece.

Representatives from Athens are in New York, expect to carry out their plans before returning to Greece.

Copper in Trouble

At the coming New York conference its producers must decide on future curtailment of production, plans to market a surplus, price support.

Not since the United States imposed a 4¢ tariff on copper last June has there been real peace of mind in the copper industry. London promptly informed the world that the British would go after a tariff and a scheme for empire preference at Ottawa. Copper Exporters, until then dictator of world copper affairs, lost important members, became little more than a name (*BW—Jul13'32*).

In New York this week, plans are under way for a conference of world copper interests. Most of the old Copper Exporters group will be represented. The metal world is watching every move.

Three major necessities confront the conference. By all odds most important is that of some agreement among world producers to continue present curtailment measures. Early in the year, members of Copper Exporters agreed to cut production to 20% of capacity, to allow consumption to catch up. Despite the blow-up last June, members have stuck pretty closely to the terms of this agreement. Experts expect the coming conference to reach a new accord on the rate since consumption is virtually unchanged. Main chance for change will be in quotas. Former quotas were scheduled when the United States was an open market. So was the British market. Now the United States has a tariff; Britain promises one for Dec. 1. High-cost producers may find it impractical to compete in the remaining open markets.

Second important need is for a plan to control surplus stocks, nearly 75% of which are held in the United States. This is largely up to American members. With the new 4¢ tax, it has been generally expected that the Americans, who are holding the 650,000 tons of copper, will continue to hold it against future demand. If prices abroad should mount, however, this surplus would be a constant threat to market stability and price structure, unless there was an agreement to control it. Naturally, producers catering to the European market are eager for one. This is expected to involve some plan which will put Copper Exporters back into the picture. The control plan will not operate on the restricted British and American markets.

Third necessity is an answer to the question of price stability. Price "pegging" cannot be allowed in the United States. Controlled production, however, might automatically raise prices to a profitable level. Or, if the group should function from some European headquarters and operate only on export markets, it might be possible to work out some plan for artificial stimulation of the price level.

The situation is highly complicated. Ludwig Vogelstein, chairman of the board of The American Metal Co., Ltd.

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viewed the current situation in the d States succinctly: "The United , which (until the tariff was in- ced) was the leading market, has s paramount position. So far, the stic price for copper has not dif- materially from the foreign price, ere is no reason why producers in ountry could not raise the domestic 1¢ or 2¢ a pound. Their entire nt production is needed and the tedly large stocks of refined cop- are well controlled and entirely ed by a group of 6 or 7 corpora- which have no intention of dump- heir stock on an unwilling market.

Complicating Factors

he domestic situation is further licated by the fact that 3 domestic ucers, whose output is about 50% he domestic production, control ating plants representing over of domestic consumption. Conse- tly the amount of business in the free market is very small, especially e present low state of the consum- industry."

these domestic problems can be d complications in the British ion which have not been recog- until recently. In July, when the a conference took up the problem copper tariff for the empire, it d like a simple matter. As in this try, "complications followed." week, London's coldly critical omist says frankly that difficulties ding the duty have been further in- d by the fact (just revealed) that r, Canada can supply only one-half British requirements for electrolytic r, while the empire cannot supply efined copper at all (that has lly come from the United States). becoming evident that the duty on rolytic can be imposed only when empire can supply the market.

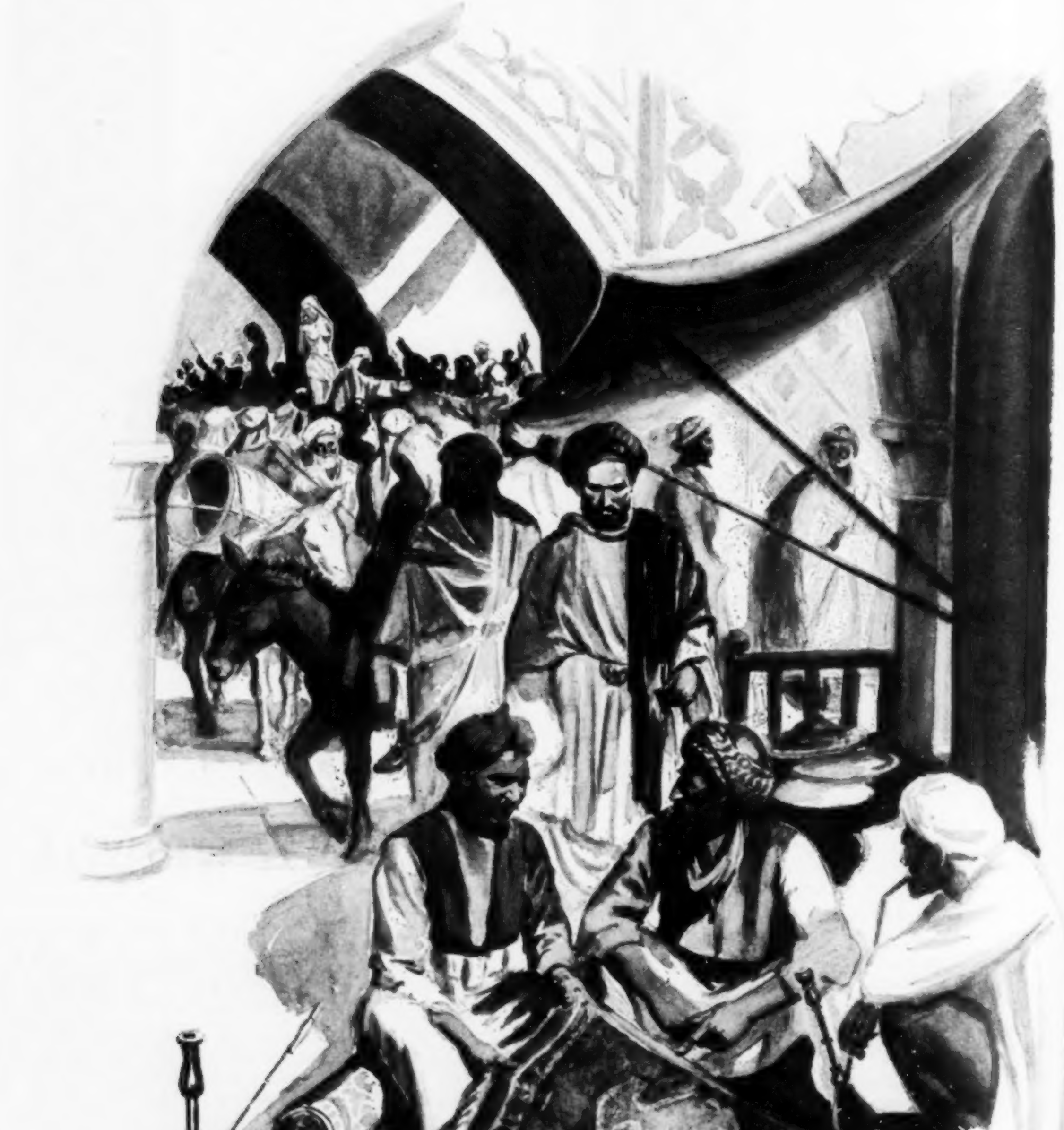
here is well-founded sarcasm in the omist's closing taunt: "While we ratulate the government on having ed the initial cooperation of repre- tive producers and consumers, we afraid that their copper troubles only just beginning."

ewsprint War

e greater conflicts, it may force damental issues to a show- n. For real peace there must mergers.

IONS have found that the best way orce an issue on to an international erence table is to start a war over Now that E. W. Beatty, president Canadian Pacific and head of the adian bankers' Newsprint Commit- is reporting "satisfactory progress" hat are understood to be newsprint ing arrangements, there are suspi- s that some of Canada's newsprint

A SALES PROBLEM



EM

or thirty centuries . . .
and a solution in six months

ince the days when the merchants of agdad bought Persian rugs in the same arkets where they purchased Greek ave girls, rugs had never been *visibly* anded. Right down to our own day, gs had never received better trade-arking than comes from pasting a label n the under-side!

hen an advertising agency tackled the b. It saw no reason why carpets ouldn't be as *visibly* trademarked as our—or sugar—or motor cars. It saw reason why brand-preference created its client's advertising should not be rried through to the salesroom floor.

o identify its client's rugs, this agency vised a trademark consisting of a small ece of blue silk, stamped in gold with a riking symbol. This bit of silk is sewn the edge of every one of the client's gs. These thus become for the first me in history *plainly branded* rugs and rpets. The sales "follow through" glected for thirty centuries had been lved in six months!

ut the agency wasn't content to let its b rest there. Visibly trademarking the oduct was only the first step in prepar-g to advertise it. Out of the very weav-g of the carpets themselves, out of the alities of the wools that went into em and *what these qualities meant to the consumer*, the agency dug up a striking story—and speeded the sale of carpets!

* * * * *

You may not be concerned with rugs and carpets—but you can't be in business without being concerned with sales ideas. Often the modern advertising agency is a vital help in digging out such ideas—ideas sometimes overlooked because they are so close to the manufacturer's nose. But above all, of course, the main function of the agency is the presentation of these sales ideas, in advertisements that arrest, persuade, convince!

Most of the outstanding advertising campaigns come from advertisers who have good advertising agencies—and who give them a fair opportunity to prove their metal.

McGRAW-HILL PUBLISHING CO.
INCORPORATED
330 West 42nd Street · New York, N. Y.

Because McGraw-Hill's continued success depends upon the success of its advertisers, we publish this, the fifteenth in a series of advertisements on the value of agency service in the creation of sales-producing advertising.

producers have been taking a leaf out of the same book.

Whether that is the case or not, International Paper, Price Bros. *et al.* seem to have made a real, if paradoxical, contribution to industrial peace by their recent warring that broke the price of newsprint from a dubious $53 to below $45 a ton for New York delivery. Some even hold hopes that long-urged consolidation agreements will be signed along with a peace pact.

Too Many Mills

The simple facts about the newsprint situation are that, while Canada's newsprint shipments have dropped only about 27% from the 1929 peak, mills have multiplied so rapidly that the available tonnage per plant has declined to a point where capital charges are far out of the reach of income—except for the few highly efficient mills. With most companies financed on a basis of operations running close to 80% capacity—at prices considerably higher than those of today—and only a handful more than 50% active, salvation depends on tonnage.

Tonnage could be secured by price-cutting in which all might suffer, though Toronto's *Financial Post* thinks that some mills can make newsprint at a base cost of between $18 and $23 a ton on a long-term, near-capacity program. Better, say the bankers who are deeply concerned about the financial record already marred by bond defaults, it could be apportioned among the efficient producers following a sweeping consolidation program which would permit the closing of the high-cost mills. Or, failing such a major operation, something temporary might be done by a pooling arrangement.

Can't Escape the Hoe

In the long run it probably must be consolidation, writing down and weeding out. Now it may be only a new attempt at price maintenance and more stalling in hopes of a return of such lush prices as 1920's top of $130 a ton, though the regiments of mills that have sprung up since 1920 get in the way of visions like these.

The difficulty is, of course, that the high-cost producers and their banking and investing backers—Canadian and American—balk at the bitter medicine held out to them. The brighter possibility is that the astute Mr. Graustein of International Paper or Price Bros. or the Mersey Paper Co. or Great Lakes Paper Co. or all these participants in the recent price war may have now convinced everybody that the jig is up. In that case a pool can be greeted as an armistice arrangement preliminary to peace by consolidation. If it turns out merely to be a bankers' device to win a longer lease of life for the weaklings, it isn't likely to stand up long in this buyers' market against the current competitive drive for contracts.

Shipping Schedules Deflated

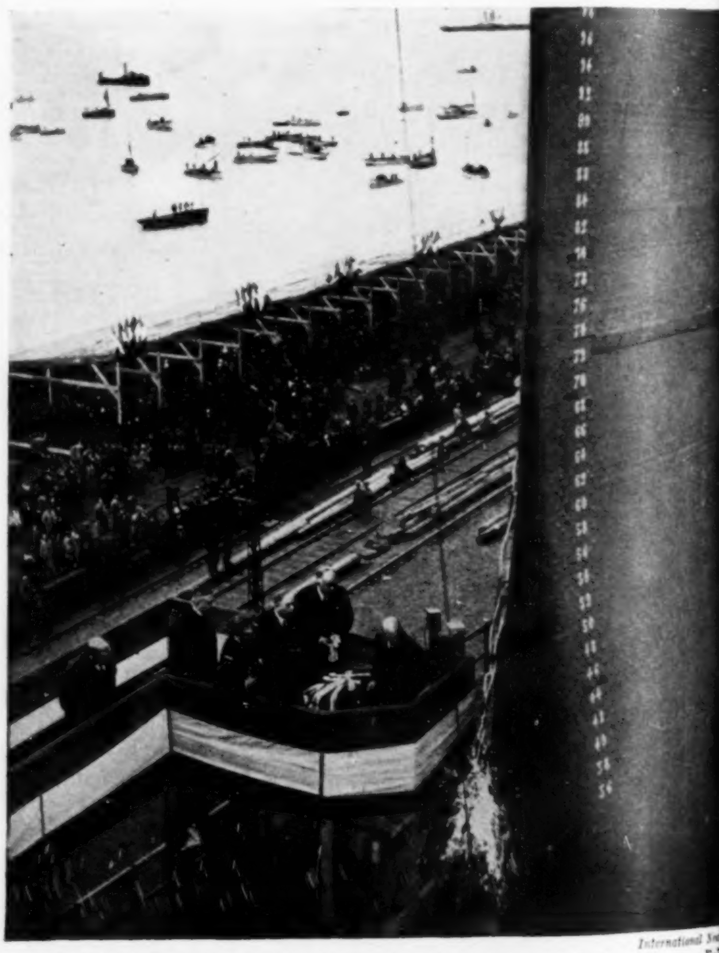
Big lines make many adjustments. Ottawa rulings bring changes in North Atlantic winter service.

IN San Francisco, and Baltimore, and New York they are talking less this winter about the plight of the shipping business. It's bad, but they are getting accustomed to it. Talk is rather of some of the adjustments that are being made and the effects on business.

New York is mostly perturbed about the scant sailing schedules to Europe. There are enough boats to handle the traffic but few of the big fast liners are in the winter service. The French Line is operating only the *Paris* among its first-string vessels. White Star is using only the *Majestic,* though the comfortable new *Georgic* and *Britannic* will do a run or two between New York and Channel ports while the *Olympic* is being overhauled. Cunard is taking the *Aquitania* out for repairs and th *Mauretania* goes into the cruise servi in January. The *Bremen* and th *Europa* will maintain fast Lloyd servi with the *Columbus* out for cruises. N for a good many years have so fe of the first-string liners been able t meet winter travel demands. Unles sailing dates are carefully watched, ma service to Europe is slow.

More significant to the shipping bus ness itself is the move by Cunard t put 4 ships in the winter service fro St. John and Halifax, rather than Ne York, because of the ruling in th Ottawa pact which promised a prefe ence on grain moving "directly betwe points within the empire."

According to the new schedule, C



International Ne

TALLOW HUNTERS—While thousands gathered to watch the "Normandie" launching ceremonies, frugal Frenchmen put out in small boats to recov what they could of the tons of tallow used to grease the ways. Madam Lebrun, wife of the French president, swings the christening champagn could hardly miss the blunt nose of the world's biggest ship.

d, instead of shifting the Montreal–ebec boats to New York when these adian ports become ice-bound, will t them to St. John and Halifax. e *Ascania, Ausonia,* and *Alaunia,* and subsidiary-controlled *Letitia,* will y on the new service. All are com-ation passenger and freight vessels about 14,000 tons.

New York elevator operators profess expect only a small loss of traffic. is their contention that only about of the Canadian wheat shipped ugh the port is destined for the ted Kingdom. Wheat for non-pire destinations is not likely to be cted.

The reluctance of the shipping lines talk about business is pretty good dence that the winter cruise service ot going to be too good this winter. s to their credit, however, that the ber of competing cruises has been down. This year only 56 cruises scheduled out of New York. In r years they have run well over 100. Lloyd's, venerable recorder of ship-e news, pointed out in its latest rt that 15 million tons of world ping are now tied up for lack of ness. This is nearly 20% of the l world tonnage. Last year the total a little over 10 million gross tons. years ago it was only 5 millions. wever, for the first time in several s total world tonnage declined ly 400,000 tons despite the large ber of new vessels launched.

nish Diesels

hout coal or cheap water er, Denmark turns to Diesel omotives for cheaper service.

 fuel consumption, one-man serv-low repair costs, high mileage, no for firing up and keeping under m when running—these are a few he advantages which have induced Danish State Railroads to adopt el locomotives in place of steam as most economical means of traction. plete transition will require some s. So far, 12 Diesel locomotives (of 450, or 900 hp.) are operated, in ition to 9 Diesel-propelled coaches. he greater part of the steam engines operated by the State Railroads built abroad, mostly in Germany. w were built domestically by Frichs. transition to Diesels means for mark national "self-sufficiency" for Diesel locomotives are being built ome by A/S Burmeister & Wain, or A/S Frichs. Burmeister & Wain has nternational reputation for the build-of Diesel engines for motor-ships. imultaneously, plans are under con-ration for the electrification of rban rail lines where traffic is espe-ly heavy.

Business Abroad

Attention of world business focused on war debt question. Week's features in individual countries: continued industrial recovery in Germany; budget complexities in France; new issues active in Britain.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Frenchmen talked budget this week; Germans stuck to problems of recovery; Britishers followed tariff issues and sterling exchange; Italians clung to disarmament complexities; the Swiss settled a small but significant riot and dickered for foreign business—but they all pondered war debts.

Not even the striking developments in disarmament discussions could transcend the interest which was roused by the Greek default to the United States on its war debt interest, and the British and French notes to Washington asking for postponement of Dec. 15 payments and a review of the whole problem in the light of current changed conditions (page 3). Other debtors will follow the same policy.

It is not certain just what Europe expects. France would like cancellation. Britain seems more in the mood to anticipate settlement at some greatly reduced figure. Germans are interested because, if there is a settlement for any considerable amount, Germany will probably be asked to pay the $700 millions provided in the Lausanne settlement last summer. If the matter drifts long enough (15 years) Germans are automatically excused from all further claims for reparations.

What is most significant is the realization by only a few that commercial defaults are only a matter of time in a number of the countries of southeastern Europe. Greece has already been forced to ask for an extension on the $7½ millions of 6% treasury notes. At Lausanne, Europe planned to handle these problems at a world economic conference. Now it is known that preliminary discussions on agenda have come to an end because delegates could not agree. There is considerable talk in various capitals of postponing the economic conference until the whole debt question is settled.

Individually, each country is busy with domestic problems. French business disintegration continues, while German industry continues to report small gains. Unemployment declined 41,000 in Germany in the last 2 weeks in October. Britain also reported fewer jobless. In Czechoslovakia, on the other hand, the number of occupied workers declined.

Stock markets were generally active in Germany with security prices mounting. French Bourses were comparatively inactive. Commodities, in almost all countries, were firmer, and in a number of cases, fresh advances were reported.

Considerable interest will be focused on the informal copper conferences which will take place in New York in the next few weeks. The British tariff on copper was no surprise to Europe, but the fact that the Empire will not be able to meet its own demands for some time throws up the old problem of production control, particularly adjustment of quotas on the new preference basis (page 18). It is likely that a new control body will grow out of the old Copper Exporters group, and that headquarters will be established in Continental Europe.

Another meeting in late November is the International Sugar Council, which meets in Paris Nov. 29. The old problem of the international sugar surpl will be faced in the light of curre conditions.

The Soviet Union has negotiated barter deal whereby Swiss cheese make will ship $4 millions of their produ (50 carloads) to Russia in exchange f Soviet benzene and anthracite. Urugu also has agreed to fill all gasoline an kerosene requirements in the Sovi Union, supposedly in an exchange de whereby the Russians will take Ur guayan hides and wool. Europe note too, the prompt payment in New Yo by Amtorg of nearly $10 millions American firms in settlement of N vember bills.

Germany

More signs of industrial improv ment. Political impasse fails t dampen interest in securities. M nicipal finance again in limeligh Foreign creditors hit by extensio of mortgage moratorium.

BERLIN (*Cable*)—Whatever the a tude of the rest of the world to t latest impasse in German politics, Ge mans refuse to let it interfere with bu ness. Security prices, most sensiti barometer of public reaction, have a vanced steadily in the post-election p riod. Industrial activity continues t register gains, with a resultant decli in the number of jobless.

Politically, the week has brought litt that is significant. Evidently the Reic

MIGHTY LIKE THE IRISH—Because Ireland has refused any longer t pay British landlords £3 millions annually, London decided to tax Iri imports like any other "foreign" goods. The Irish haven't lost their nerv This town in famed County Galway insists on having the last word.

tag is going to convene on Dec. 6, despite the seeming impossibility of organizing any majority to back the government. Von Papen, however, is canvassing the country and conferring in Berlin with political leaders of every complexion. Out of it all, it is just possible that Germany will find a way to make one more try at parliamentary government. In fact, that way may be found only by changing the leadership of the cabinet. Business would welcome any change which would terminate the present autocratic interference in national finance.

Financially, a number of problems were prominently in the news during the week. Most encouraging was the continued reports of the improved position of the Reichsbank. Quite discouraging was the news that the Landesbank der Rheinprovinz, at Dusseldorf, had appealed to creditors in Berlin for a 4-year postponement of its short-term debts (already overdue) and reduction of interest on these obligations to 4%. The State of Prussia promises to guarantee interest payments so it is likely that creditors will agree to the proposal. The real significance of the whole affair is that it emphasizes the acute financial problems facing German cities, and the repercussions on the country. The Landesbank is forced into the present default because it loaned extensively to municipalities on a long-term basis while many of its own debts were short-term obligations. Last year, the cash reserves were exhausted and the bank has been unable to convert them into long-term loans. Meanwhile, cities have failed to meet obligations to the bank and the present situation has resulted. It is recalled in financial circles that Cologne, Frankfort, and Dortmund have defaulted on their outstanding obligations and that no amount of negotiating with creditors during the fall has brought any solution to the problem.

More of the country's debt problems came into the limelight when the President issued his most recent decree extending to all liens on real property the mortgage moratorium heretofore largely confined to farm mortgages. The new decree includes mortgages to foreign creditors—and extends the general moratorium until April, 1934.

Commercially, signs of recovery continue to trickle into the capital. Department stores in most cities report that turnover is speeding up. The continuous increase in carloadings suggests that foreign trade is holding up and that recent industrial recovery is spreading. Exports for October, as a matter of fact, were up 9% and the increase was spread fairly evenly over all countries. Germans are inclined to look on this as a sign that trade revival is developing in other countries as well as in Germany.

Textiles continue to be the brightest spot in the industrial picture with foodstuffs and other immediately consumable products moving faster and forcing higher rates of production. Iron and steel is considerably more active in recent weeks, and further orders are in sight.

Manufacturers for export have been slightly cheered by the evidence that the government is planning to drop the obnoxious import food quotas (except where they have already been imposed, as on butter). This is expected to ease strained foreign relations, particularly with the Scandinavian countries. Switzerland, also, has agreed to renew its commercial treaty with Germany, but not without concessions which reflect the strategical strength of the Swiss negotiators. And nothing in the new agreement indicates any tendency toward tariff disarmament.

From Berlin, Germany seems to be mobilizing forces for recovery more effectively than many other countries, but there are still many acute problems. Prominently in the limelight are the problems of municipal finance and tariffs.

Great Britain

Business attaches wide significance to war debt negotiations. Shipping cooperation widely discussed; Britain out to renew prestige on North Atlantic.

LONDON (*Cable*)—Beyond the importance attached to the British move for postponement of war debt payments and eventual revision of the amounts due the United States, there was little of significance in British business this week.

Rail traffic showed an upturn. October foreign trade improved, the increase in exports especially being greater than was expected seasonally. The new issue market is active with wide public response. Agitation has been renewed for the complete removal of the government's ban on new issues. The present restrictions prevent straight conversions of industrial fixed interest stocks though they permit appeals for new money to repay bank loans or for working capital.

Despite denials from the principals, London continues to discuss a merger or a pooling agreement of British shipping interests in the North Atlantic trade. Since the United States Lines was reorganized, and the German lines brought into a close working agreement, and, finally, the unified Italian Line was organized, British shipping has suffered in the stiff North Atlantic competition. White Star has been reorganized with its new head the head of Furness Withey interests. London now anticipates some move for close cooperation with Cunard in a move to recapture British shipping prestige.

France

Business is dull, with leaders speculating over war debts, budget problems, declining wheat prices. Industry is backing several international consortia to undertake vast public works projects.

PARIS (*Wireless*)—With the exception of the textile districts where more and more looms are going into activity, business in France is in the doldrums this week. Uncertainty is due to the precarious position of the government during the debates on the budget, to the doubt over Washington reaction to the debt delay plea, to government economy measures which are anticipated but, naturally, not wanted when they mean salary cuts for civil servants, and to worries over the declining price for wheat.

Activities on the Bourse were restricted. The Government Savings Bank announced that, effective Jan. 1, the interest rate will be slashed from 3½% to 2¾%.

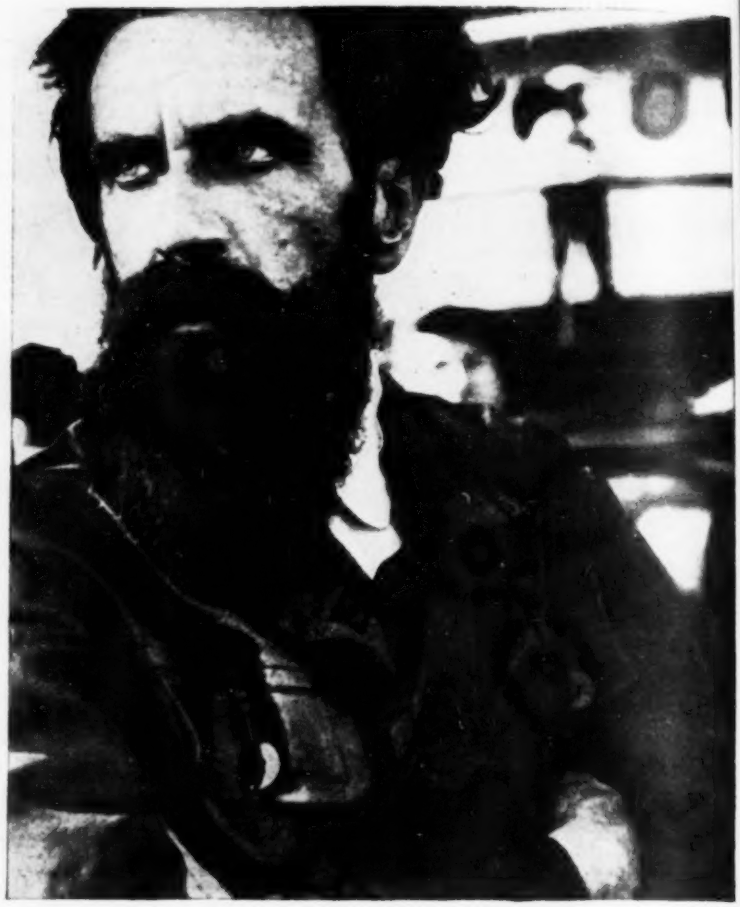
All week Paris has been speculating on the prospect for an 18 billion franc government bond issue to finance a vast public works program. From the rumors, it is gathered that about 3½ billions will be spent in 1933, which cheers particularly the depressed iron and steel industry.

There has been speculation, also, over the business prospect for Société Européene. This organization has been formed by French, German, and British industries backed by their respective banks to undertake public works in their own and other countries. Paris credits the formation of the group to the Franco-German Economic Commission (*BW—Oct7'31*) which set out more than a year ago to develop a scheme whereby French finance and German industry would cooperate for their mutual benefit. In the present setup, participation is generally thought to be 40% French, 40% British, and 20% German.

The French are inclined to expect big things from the group working together against powerful outside groups. Also, the cooperation of large financial interests with plenty of idle capital and of some of Europe's foremost industrial producers is expected to encourage numerous large builders—including governments—to go ahead with programs now only contemplated (*BW—Nov 16'32*).

The week's gossip also included allusions to some international consortium, now in process of organization, which will undertake the electrification of 7,000 kilometers of railways at a total cost of 20 billion francs. French electrical producers will participate.

Tariffs, of course, are much discussed.



ARCTIC WINDS BLEW HIS BEARD—Professor Otto Schmidt took the Soviet ice breaker "Siberiakov III" from Archangel on the White Sea to Yokohama on the Pacific, first to make the northern passage from Europe to Asia in a single season. No regular service is anticipated yet.

Two items were significant this week. One is the general, growing disapproval of the extremely high tariffs on French wheat imports. The issue is old, but came to the limelight again as wheat prices continued to fall. French diplomats cater to a large agricultural electorate. To please them, wheat duties have been boosted beyond all reason, despite the unfavorable influence on the industrial population from the steadily rising cost of living. This year, France, as a result of encouraging wheat farmers, has more than enough of the product to supply the home market. Naturally prices are falling. Farmers are suffering from the very tariff which was planned to aid them. Wheat tariffs are likely to drop.

The second item is the increase in the import duty on Japanese salmon, and the strict limitation of the import contingent. In view of a similar problem in the United States, Americans in Paris have been interested in French action.

War debts must not be forgotten. Business has devoted first attention to that question this week. Official France is remaining discreetly quiet on the subject, but much interest attaches to the reply from Washington. France owes the United States only $19 millions as the Dec. 15 instalment on war debts.

Latin America

Sugar prices only temporarily raised by reported hurricane damage in Cuba. Mexico anticipates business improvement. Brazil makes new provisions for payment on imports.

COMMODITY markets looked for some recovery of sugar prices when the first reports of the hurricane in Cuba reached the world. Prices lifted for a time but later reports from Havana indicate that losses will not be great enough to affect the market. Private estimates place the total loss at 100,000 tons, though later information may prove that this figure is too high. The market has already reflected its belief that there will be not even a temporary shortage. Prices are sagging back to levels which had persisted before the storm.

Mexico is still registering improvement. The current firmness of the

eso, aided by the currency reserve, and he apparent disappearance of distrust egarding recent issues of paper curency, are all considered definite signs f renewed confidence in commercial ircles. Retail sales continue at imroved levels, especially in department tores and in instalment selling. Foodtuffs, automobiles, radios, office equipnent, and sporting goods are more ctive than agricultural machinery and uilding materials. Farmers and small ndustrialists are encouraged by the reort from the capital that $7 millions f the recent $10 millions advanced by oreign oil companies against future axes will be used for the establishnent of a mortgage loan bank to aid griculture and help finance small usiness.

According to a recently negotiated ontract Mexico City will soon be suplied with lighting and heating gas by he Dutch Shell Co., which plans to ump the gas through its fuel oil line rom the west coast. American and anadian power interests along the route re likely to be affected, for the conract applies to other cities as well as he capital.

There is increasing concern over the nability of the Colombians and the eruvians to reach any agreement for he settlement of the border dispute hich threatens to involve Ecuador and razil if fighting actually takes place.

Brazil seems to be doing a good job f mending following the summer's ivil war. Coffee is coming out of the ountry in fair volume but so far the arket has remained fairly steady. There is an announcement from Rio e Janeiro that new provisions have een made for the settlement of bills or imports. Payment for all imports uring November and December, acording to the new decree, must be eposited in milreis at the official rate f exchange. Then, after 30 days, the ank will be authorized to make 25% f payment in the currency of the reditor, and supplementary payment of 5% each 30 days until the account is ettled.

Chile is making hopeful progress in arter arrangements with France and ith neighboring countries. It has now een definitely announced that the Transandine railway will be reopened Nov. 22 as a result of the new comercial accord signed with Argentina. The new government has also announced that it will create a free port t Magallanes (formerly Punta Arenas) nd cater to world traffic through the traits. With currencies depreciated, nd world shipping depressed, many a reighter finds its cheaper to use the uch longer southern route than to pay he tolls at the Panama Canal.

Uruguay is entering into reciprocal argaining agreements. Montevideo nnounced this week that the country's entire supply of gasoline and kerosene will be ordered this year from Soviet Russia. Uruguay has bought oil from the Soviets before and has sold a fair volume of hides in return. Formerly, however, most oil was bought from Spain and Cuba. The Uruguayans are turning away from them now because both countries have refused to buy Uruguay's beef.

Far East

Japanese yen exchange weak, business featureless. First Manchukuo loan floated in Japan. Trade complications in new Manchukuo tariffs.

JUST as storms have played havoc with crops and business in the Caribbean area recently, so Japan has suffered from a typhoon which struck the southern part of the country with violence during the week. Property damage was considerable.

Business news from the Far East is colorless. The foreign exchange value of the Japanese yen is slightly improved this week but is still hovering near 21¢. Prices on internationally traded products have drifted upward during the week in an effort to seek new levels proportionate to yen depreciation. Raw silk, however, has failed to keep up with the trend. Prices compared with a week ago are slightly down.

The government's agricultural office has reported that the country's rice crop this year is 11½% larger than last year's yield and is adequate to meet all domestic demands. To protect prices, the government will supervise distribution. Other crop yields are generally up, in most cases from 2% to 4%.

Manchukuo's first bond issue has been floated in Japan. It will provide the new republic with ¥30 millions on which interest will be paid at 5%. The Manchukuo salt and opium monopolies are pledged as security for the loan.

There is little news from China and it is insignificant. Local business is active but major projects are delayed by the lack of official action from Nanking. Shanghai merchants and Far Eastern central offices of many European manufacturers are worried by the declaration from Manchukuo that all goods imported from China would pay the usual duties charged against foreign products. This means that many firms will no longer be able to ship everything to Shanghai for distribution later in Manchukuo, for a duty is charged at Shanghai and now there will be another at Dairen or whatever the port of entry. Americans and Japanese have less frequently worked through Shanghai. Many prominent American firms, in fact, already have offices in Mukden or Harbin.

The Figures of the Week

Holidays and seasonal dullness have left their mark on general business activity. New model production promises to be steel's chief support in the coming weeks. Coal stocks reach 1922 levels. Check payments also decline to a new low. Commodity prices irregular.

THE passing of the election has made but a small impression on the steel market, operations holding at approximately the same level as in the past few weeks. The automobile manufacturers preparing for new models are supporting the present level of steel activity with negligible assistance from the railroads or construction industries. A gain of 11,950 tons in the unfilled orders of the U. S. Steel Corp., the third successive increase this autumn, was cheerfully received in the market, particularly since reports of a slowing down in orders toward the last of October were widely circulated. The 3 months' gain, however, was less than 31,000 tons.

Cleveland is feeling the stimulus of increasing automotive requirements, though only 2 companies, makers of the Chevrolet and Plymouth, are making any noticeable attempt to speed up activity. Chevrolet announces a buying schedule for $20 millions of cars, described as radically different 6-cylinder models. Graham-Paige will enter the markets after Dec. 1 for $1.5 millions of supplies. The bulk of actual production at the moment is contributed by Plymouth and Ford.

Motor vehicle production in the United States and Canada during October reached the lowest total since November, 1918, according to the National Automobile Chamber of Commerce. Only 50,270 units were produced, a 42% decline from the September total of 86,483. Though November schedules are likely to be confined to producing cars for show and dealer purposes, it is expected that a somewhat better showing will be made than in October.

Estimates of sales of passenger and commercial cars during October are placed by R. L. Polk & Co. at 78,30[illegible]. This estimate is based on reports from 21 states, where passenger car sales declined 22% from September, and commercial car sales were off 8%. General Motors' sales to consumers also declined 22% in October to a total of only 26,941 units, but sales to dealers were cut drastically to 5,810, thus aiding in clearing showrooms before the advent of the new models.

Rail Buying Slow

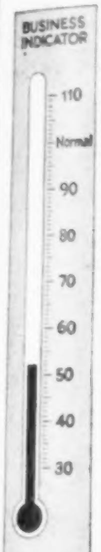
Rail business is at a low ebb, loans from the R.F.C. having failed to stimulate demand. *Iron Age* reports one new rail contract of 3,000 tons for the Delaware & Hudson. The Erie Railroad will not enter the market until the end of the year. *Steel* reports no inquiries whatever for rails, tie plates, or spikes. Scattered demand for repair purposes comprises the bulk of rail business.

Structural steel activity ran into another poor week, awards totaling less than 9,000 tons. Apparently the customary year-end slump is beginning to become evident, in spite of efforts to stimulate employment.

Tin plate operations are being maintained at 47% of capacity at Pittsburgh

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1927-1931)
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*52.2	†52.9	66.4	
PRODUCTION				
Steel Ingot Operation (% of capacity)	*19	19	31	59
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,271	$4,528	$9,305	$16,917
Bituminous Coal (daily average, 1,000 tons)	*1,217	1,246	1,282	1,724
Electric Power (millions K. W. H.)	1,521	1,525	1,623	1,665
TRADE				
Total Carloadings (daily average, 1,000 cars)	98	103	120	156
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	65	67	80	100
Check Payments (outside N. Y. City, millions)	$2,299	$2,846	$3,025	$5,037
Money in Circulation (daily average, millions)	$5,657	$5,632	$5,535	$4,931
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.44	$.42	$.62	$.96
Cotton (middling, New York, lb.)	$.065	$.062	$.065	$.150
Iron and Steel (STEEL composite, ton)	$29.32	$29.32	$30.63	$33.95
Copper (electrolytic, f.o.b. refinery, lb.)	$.052	$.051	$.067	$.129
All Commodities (Fisher's Index, 1926=100)	60.3	60.2	68.5	87.5
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,211	$2,228	$2,073	$1,569
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,026	$19,026	$21,033	$22,228
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,130	$6,130	$7,573	$8,802
Security Loans, Federal Reserve reporting member banks (millions)	$4,295	$4,311	$5,848	$7,115
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$360	$362	$831	$3,121
Stock Prices (average 100 stocks, Herald-Tribune)	$86.56	$84.44	$102.51	$144.72
Bond Prices (Dow, Jones, average 40 bonds)	$78.80	$78.24	$85.80	$93.92
Interest Rates—Call Loans (daily average, renewal)	1%	1%	2.5%	4.0%
Interest Rates—Prime Commercial Paper (4-6 months)	1½-1¾%	1¾-2%	4-4¼%	4.5%
Business Failures (Dun, number)	495	537	531	460

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

Announcement of a 50¢ reduction in tin plate price for 1933 is expected.

The election stimulated the hopes of numerous brewers throughout the country, and inquiries for stainless steel were made. Its high cost is likely to keep orders in small volume. Agricultural implement makers remain pretty much on the sidelines, the outlook for better farm income being far from encouraging. Refrigerator and heating equipment concerns are ordering steel.

Construction Awards

Though construction awards declined 15.7% in October from the preceding month for the country as a whole, a number of districts were able to better September volume. Residential construction showed gains in upstate New York, Middle Atlantic states, Chicago, Kansas City, and Texas districts. Four out of 13 districts scored larger non-residential contracts during the month, and 5 expanded public works and utilities awards over September, while 3 regions even bettered last year's totals.

A sharp decline in November awards would not be unprecedented, as the commencement of cold weather tends to retard construction activity. Reports by *Engineering News-Record* on heavy construction awards for the first 2 weeks of November were swelled by the $23-million Golden Gate award which brought the awards of the first week of the current month to a new high for the year. During the second week, total awards aggregated less than $20 millions, compared with $46.3 millions the week previous. Public works continue to comprise the bulk of awards, totaling $17 millions in the past week and $39.4 millions the preceding week. Of this sum, state and municipal projects ranked far in the lead of federal projects.

Both anthracite and bituminous coal production tended downward during the week preceding the election week, anthracite declining more sharply than soft coal. Consumers' stocks of the latter on Oct. 1 were the lowest since 1922, and sufficient to last but 38 days even at the present low level of consumption. Though a slight increase of 1.2 million tons occurred after July 1, the gain is considerably less than took place last season when stocks were built up by 4.4 million tons. Compared with a year ago, consumers' stocks of soft coal have shrunk more than 20%. July marked the low point in the depression for coal consumption by the electric utilities, coke ovens, and railroads. Since midsummer considerable improvement has been apparent in these fields. The quarter as a whole, however, ranks the lowest of the depression in volume of consumption. Stocks of anthracite in the hands of 400 representative retail coal dealers were 29.5% smaller than a year ago. An unexpected cold snap would soon be reflected in greater activity at the mines.

Electric Power

Due to the double holidays of election and Armistice, a sharp decline was expected in the electric power figures for the week Nov. 12. But stormy weather on the Atlantic Coast largely offset any such decline, thus confusing the industrial significance of the data.

The decline in carloadings was particularly marked in the miscellaneous freight classification, most other groups showing moderate declines characteristic of the season. Miscellaneous plus l.c.l. freight declined twice as sharply during the week of Nov. 5 as a year ago, lowering the adjusted index to 54% of normal.

A new low in the volume of check payment in the 140 cities outside of New York was reached during the week Nov. 9. Cessation of business activity on account of the election was probably greatly influential, particularly in centers where stock and commodity exchanges are located. In New York City checks fell almost 30%; in 9 other financial cities the decline was 22%, while in 131 cities unaffected by finan-gained 5.7% and non-financial centers cial activity, the decline was 16%.

Check Payments

October check payments in the 141 cities declined 2.4% compared with September because New York City, which accounts for about half of the checks in this grouping of cities, showed a shrinkage of 8.6%. The decline marks the first break in the records extending back to 1919. Other financial cities showed a 4.1% expansion in check volume.

Daily average currency circulation during the week ended Nov. 12 increased $25 millions. In 1928, the election week increase was $31 millions.

After showing some inclination to steady themselves, commodity prices again displayed irregularity. Textile fibers, such as wool, silk, and cotton, moved downward, and hogs, cattle, cocoa, and coffee followed suit. Sugar reacted when the hurricane damage was found less disastrous than first reported. Hides and rubber started upward during the week, but wavered. The grain markets made a favorable showing, as did the non-ferrous metal markets. Butter and egg prices advanced.

The Financial Markets

Banking conditions continue static, with important issues of Federal Reserve and Treasury policy in suspense. The election had little effect on money or security markets. Trading continues dull, professional and indecisive, pending signs of business improvement.

Money

OUTWARDLY the money market and banking situation have been unstirred by the passing of election, except for some flurries in sterling associated with the fluctuations of the war-debt discussion. But beneath the surface important decisions postponed by the election are pending, and were probably discussed in a full meeting of governors and reserve agents, including those responsible for open-market policies, of the Reserve banks in Washington this week. Usually one can only speculate about what happens at these meetings; this time announcement of some of the conclusions may be made, because they will be so important in determining banking, fiscal and even business policies in the coming months.

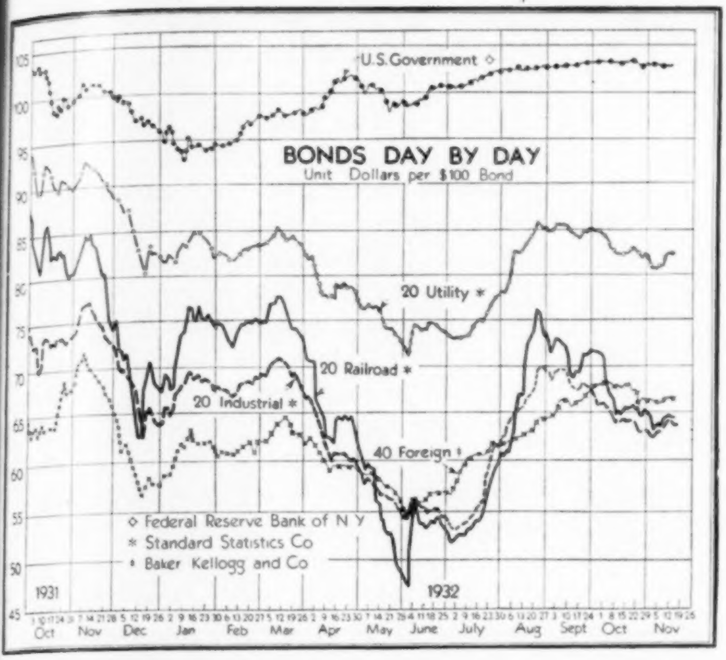
This is especially true of the open-market operations of the Reserve banks. Will the Reserve authorities yield, or can they, to the wishes of member banks and, by reducing their government security holdings, lessen the pressure of surplus reserves so as to tighten the money market and raise interest rates to a more remunerative level? General opinion is that they will not dare to in the period between now and the year-end, when currency demands for holiday trade normally rise to a peak.

After Jan. 1 currency usually returns rapidly to the banks, and this may raise excess reserves to still higher levels than they have seen so far. The Reserve banks may then feel it is possible to reduce their holdings of government securities by not replacing short-term issues maturing after the year-end. That they will actually sell any large amount is unlikely. But it will be vastly important for all holders of government securities to know what the policy will be, and not be left to guess it on the basis of changes in the weekly bank statements, which may easily be transient and misleading and possibly precipitate a selling rush.

This question is inseparably linked with that of Treasury policy in new flotations to meet the heavy maturities of short-term issues between now and March. Reserve bank support in Treasury financing will be needed to refund the \$2 billions of such issues coming due in this period, as well as to meet the additional deficit accruing, and certainly for any effort to refund the Liberty bonds now callable, if such should be attempted. The banks are hoping that no long-term issues will be attempted at this time, in meeting the Dec. 15 maturity of \$600 millions of $3\frac{1}{4}$% notes. These notes are being bought up at heavy premiums by banks as insurance of allotments of new issues in exchange, and they don't want to be stuck with any long-term bonds.

Questions of banking legislation also were probably discussed at the Washington meeting, since it is just possible that the Glass bill will be pushed through the short session and, if so, that may have a marked effect on bank investment policies.

For the present the banking situation continues almost completely static



Loans and investments of member banks remain practically stationary. New York banks show some tendency to expand commercial loans and non-government security investments, but this is still more than offset by continued contraction in outside banks. Several large bank closings last week were disturbing in view of the fact that R.F.C. authority to make loans to banks expires in January.

Gold imports continue to add to the reserve position of banks, but there was a sharp unseasonal increase of $35 millions in currency in circulation during election week.

Stocks

In spite of the post-election spurt following the day of sharply declining prices which celebrated the Roosevelt landslide, it remains true as stated last week that the response of security markets to the election outcome has been apathetic and disappointing to the speculative fraternity. They expected a post-election rise of some proportions regardless of the result, and some are still disposed to feel that the market presents chances for a little profitable short-term speculative play on the upside; but it has relapsed into pre-election listlessness. Prices are about where they were two months ago when the campaign was barely beginning. Movements are still purely professional.

Favorite current alibi is uncertainty about the war-debt issues; which is in fact only about as uncertain as the election outcome was. It is not necessary to go overseas for an explanation of stock-market anemia. Anxieties about the federal fiscal position, which is affecting bonds; seasonally declining business indicators; the relapse of commodity prices to the depression lows in the past two months; the third quarter corporation earnings reports (page 18)—all this is hardly a basis for an immediate bull movement in stocks.

Bonds

The bond market has been a bit steadier since election, but without sign of any vigorous advance in the offing in response to persistent easy money conditions. The European debtor country list and our governments sagged slightly under the sudden weight of the war-debt discussion, but this is not a primary influence. Federal finances are affected by many more actual uncertainties than those of the prospects of collecting $123 millions from abroad on Dec. 15. There is a $600-million note maturity that day and plenty of speculation on how it will be handled, as well as on what policy the Reserve banks will follow about open-market operations, and on what Congress will do about taxation and budget-balancing in the short, and probably not very sweet, session. All these things set an atmosphere not very favorable for bond-buying, and there isn't much.

Post-election new issue activity has not come up to expectations. A few public utility refunding offers are in prospect, but the elections brought forth only about $80 millions of new municipal issue approvals, much less than was counted on.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

NOVEMBER 23, 1932

Jubilee

No sensible business man will be unduly excited, either way, by the sudden but accurately scheduled appearance of our old friend the war-debt question on the post-election newspaper and diplomatic stage. The play is familiar; the old straw of the scenario has been threshed out for years by economists and statesmen; we all have known for a long time how it will end. The debts will neither be paid by the debtors nor canceled by the creditors; a formula will be found by which they may be officially forgotten and actually shifted to the taxpayers who cannot escape them. There is no alternative, because it would be extremely inconvenient to everybody concerned to pay or to collect them, to cancel them or to repudiate them.

It will be all to the good to end the acrimonious discussion of the question once for all as soon as can be. But its settlement will work no miracles. The importance of the part played by reparations and war debts in the depression has been greatly exaggerated. In fact their principal function has been to furnish one of the apparently endless series of alibis by which business men, bankers, and public officials in this and other countries have evaded the real issues of the depression. We hope now that the inevitable delays involved will not merely provide another alibi by which American business can postpone tackling its problems.

Indeed there is reason why it should instead stir us to action, and lift up our hearts. In the raising of the war-debt issue there is a deeper significance that should not escape us. To those who have ears for its subtle music it will sound like the ram's horn mentioned in the twenty-fifth chapter of Leviticus; it cuts across the chaos and cacophony of world-wide deflation like the trumpet of the jubilee. It is the fanfare, of which Lausanne was a faint, off-stage signal, of the universal process of debt readjustment to which the world has apparently committed itself. The war debts are, comparatively, only a few pebbles on the mountain of debt; but when they are dislodged by the reverberations of this call to reduction, revision, or repudiation, they may start an avalanche.

Obviously once it is started it will be impossible to confine the process of debt readjustment to any special class of debts. If it is accepted as sound principle for governmental creditors to come to an agreement with impoverished or insolvent debtors and readjust the terms of a debt in order to avoid the loss of all and injury to both, it will appeal to many as perfectly proper and fair to apply the same principle to all the great categories of private domestic and international debts which have become equally burdensome with the decline of price levels. Farmers, though unfriendly to the idea of foreign debt reduction, will plausibly expect the great burden of rural mortgage debt, almost as large as the war loans, to be written down or refinanced. Urban real estate mortgagors will hope for similar relief; and it is well recognized that the railroad debt structure needs revision. A most impressive precedent, extremely difficult to repudiate or explain away, will be established by which the process of deflation may be speeded to its preordained end.

Of course it can never be as uniform and fair in its incidence as a deliberate devaluation of the currency might be; but why not try to make it more so? If it is necessary to set up a special commission to contrive the most equitable and practicable settlement of the war debts, how much more desirable and necessary to revise our bankruptcy and receivership laws, and provide more systematic and expeditious machinery to make the far-reaching process of debt readjustment in every field fairer, more uniform, and more efficient. As in the case of the war debts, the more promptly creditors and debtors everywhere can agree to put their washing through the wringer the sooner will the world be able to get to work again.

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